EXTENSION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM AND RELATED UNEMPLOYMENT COMPENSATION ISSUES

HEARING

BEFORE THE

SUBCOMMITTEE ON PUBLIC ASSISTANCE AND UNEMPLOYMENT COMPENSATION

OF THE

COMMITTEE ON WAYS AND MEANS HOUSE OF REPRESENTATIVES

NINETY-EIGHTH CONGRESS

FIRST SESSION

ON

H.R. 233, H.R. 1340, H.R. 1736, H.R. 2086, H.R. 2169, H.R. 3112, H.R. 3196, H.R. 3197, H.R. 3433, H.R. 3573, H.R. 3575, and S. 1784

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EXTENSION OF FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM AND RELATED UNEMPLOYMENT COMPENSATION ISSUES

TUESDAY, SEPTEMBER 13, 1983

HOUSE OF REPRESENTATIVES,
COMMITTEE ON WAYS AND MEANS,
SUBCOMMITTEE ON PUBLIC ASSISTANCE AND
UNEMPLOYMENT COMPENSATION,
Washington, D.C.

The subcommittee met at 9 a.m., pursuant to notice, in room 1100, Longworth House Office Building, Hon. Harold Ford (chairman of the subcommittee) presiding.

[The press release announcing the hearing follows:]

[Press release of Tuesday, Aug. 9, 1983]

HON. HAROLD FORD (D., TENN.), ANNOUNCES A PUBLIC HEARING ON EXTENDING THE FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM AND RELATED UNEMPLOYMENT COMPENSATION ISSUES FOR TUESDAY, SEPTEMBER 13, 1983

The Honorable Harold Ford (D., Tenn.), Chairman of the Subcommittee on Public Assistance and Unemployment Compensation of the Committee on Ways and Means, U.S. House of Representatives, today announced a public hearing on extending the Federal Supplemental Compensation (FSC) program. The FSC program, which provides additional weeks of unemployment compensation benefits to unemployed workers who have exhausted all State and Federal-State Extended Benefits, expires on September 30, 1983. The hearing will also address certain proposed changes in the Extended Benefits (EB) program. The hearing will be held Tuesday, September 13, 1983, in room 1100 of the Longworth House Office Building, beginning at 9 a.m.

Witnesses are asked to address, and to limit their testimony to, the following issues pertaining to the Federal Supplemental Compensation (FSC) program and the Federal-State Extended Benefits (FB) program: (1) extending the FSC program beyond September 30, 1983; (2) providing additional weeks of benefits to individuals who have, or will, exhaust all FSC benefits; (3) modifying the trigger mechanisms and trigger rates in the current FSC and EB programs; (4) modifying the calculation of the insured unemployment rate (IUR) for purposes of triggering on the FSC and EB programs; and (5) using alternative measures of unemployment—such as the total unemployment rate or sub-state area triggers—to trigger payment of FSC or EB.

Witnesses may address the specific amendments pertaining to these FSC and EB issues that are contained in the following bills:

H.R. 233 (Mr. Oberstar, et al.): To include all unemployment compensation claimants in the calculation of the IUR, lower the IUR necessary to trigger on EB, and to provide for a sub-state area trigger for EB.

H.R. 1340 (Mr. LaFalce, et al.): To trigger on EB when the total unemployment rate in a state is 7 percent or greater and to provide for a sub-state area trigger for EB.

H.R. 1736 (Mr. Nowak): To provide for a sub-state area trigger for EB.

H.R. 2086 (Mr. Williams of Montana, et al.): To lower the IUR necessary for a State to trigger on EB and to provide for a sub-state area trigger for EB.

H.R. 2169 (Mr. Boucher): To trigger on EB when the total unemployment rate in a State is 9 percent or greater and to provide for a sub-state area trigger for EB.

H.R. 3112 (Mr. Feighan): To trigger on EB when the total unemployment rate in a State is 9 percent or greater.

H.R. 3196 (Mr. Pease, et al.): To include all unemployment compensation claimants in the calculation of the IUR.

H.R. 3197 (Mr. Pease, et al.): To lower the IUR necessary to trigger on EB.

H.R. 3433 (Mr. Mollohan): To extend the FSC program through March 31, 1984.

H.R. 3573 (Ms. Kaptur, et al.): To extend the FSC program through March 31, 1984, and to include all unemployment compensation claimants in the calculation of the IUR.

H.R. 3575 (Messrs. Levin and Vander Jagt): To trigger on EB when the total unemployment rate in a State is 11 percent or greater.

S. 1784 (Messrs. Byrd and Heinz): To consolidate the Federal/State Extended Benefits and FSC programs; and to provide for a graduated number of weeks of benefits and a graduated Federal cost sharing percentage based on the State's insured unemployment rate or total unemployment rate (whichever results in a greater number of weeks of benefits for the State).

DETAILS FOR SUBMISSION OF REQUESTS TO BE HEARD

Individuals and organizations interested in presenting oral testimony before the Subcommittee must submit their requests to be heard by telephone to Harriett Lawler (202) 225-3627 no later than noon, Wednesday, September 7, 1983, to be followed by a formal written request addressed to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102 Longworth House Office Building, Washington, D.C. 20515.

In view of the limited time available to hear witnesses, the Subcommittee will not be able to accommodate all requests to be heard. Those persons and organizations not scheduled for an oral appearance will be encouraged to submit written statements for the record of the hearing. All persons requesting to be heard, whether they are scheduled for oral testimony or not, will be notified as soon as possible after the filing deadline.

In order to assume the most productive use of the limited amount of time available to question hearing witnesses, witnesses scheduled to appear before the Subcommittee are required to submit 100 copies of their prepared statements to the full Committee office, room 1102 Longworth House Office Building, at least 24 hours in advance of their scheduled appearances.

Each statement to be presented to the Subcommittee or any written statement submitted for the record must contain the following information:

1. The name, full address, and capacity in which the witness will appear (as well as a telephone number where he or his designated representative may be reached);
2. A list of any clients or persons, or any organization for whom the witness appears; and
3. A topical outline or summary of the comments and recommendations in the full statement.

WRITTEN STATEMENTS IN LIEU OF PERSONAL APPEARANCE

Persons submitting a written statement in lieu of a personal appearance should submit six (6) copies of their statements, by the close of business Friday, September 16, 1983, to John J. Salmon, Chief Counsel, Committee on Ways and Means, U.S. House of Representatives, room 1102, Longworth House Office Building, Washington, D.C. 20515. If those filing written statements for the record of the printed hearing wish to have their statements distributed to the press and the interested public, they may provide 75 additional copies for this purpose during the course of the hearing.

Chairman FORD. The Subcommittee on Public Assistance and Unemployment Compensation will come to order.

The purpose of today's hearing is to take testimony on extending the Federal supplemental compensation program and proposed changes in the Federal-State extended benefits program.

The FSC program, which provides additional weeks of unemployment benefits to jobless workers who have exhausted all other

benefits to which they were entitled, is due to expire on September 30.

It is my hope that the subcommittee, full committee, and the Congress will act swiftly to extend the program before it expires.

While there has been a slow decline in the Nation's unemployment rate, the current level of 9.5 percent is intolerable: 10.5 million Americans are out of work. The job prospects for the long-term unemployed, those jobless workers the FSC program was designed to assist, remain bleak.

In July, over 330,000 jobless workers exhausted their regular State benefits.

For most of them, the FSC program was there to help bridge the gap between unemployment and the new job they were, or still are, desperately seeking. The FSC program is still needed to bridge that gap.

In addition to taking testimony on the FSC program, we want to hear about proposed changes in the Federal-State extended benefits program. Only three jurisdictions, Louisiana, West Virginia, and Puerto Rico, are currently triggered on the EB program.

Some of our hardest-hit industrial States have lost extended benefits in recent months even though their real unemployment rates have remained terribly high and relatively unchanged.

The EB program is simply not working. A number of bills have been introduced that would repeal the changes in the program enacted as part of the Omnibus Budget Reconciliation Act of 1981.

That act increased the insured unemployment rate necessary for a State to trigger on EB and changed the method of calculating the insured unemployment rate by no longer counting EB claimants. Other legislation has been introduced that would use alternative triggers because the insured unemployment rate does not appear to be an accurate reflection of the condition of a State's economy.

The need for a sound unemployment compensation system is as great as it has ever been. We must examine proposals aimed at improving the system. Only 36 percent of the unemployed people in the country currently receive unemployment benefits. That percent is an indication that the system is not working as well as it should.

I want to welcome all of the witnesses today and look forward to your help and advice in improving our unemployment compensation system.

Today we do have a long list of witnesses, and we are delighted for the leadoff witnesses that come from the upper House here in the Congress, and we are delighted to have with us this morning the Honorable Robert C. Byrd, Senator from West Virginia, and chairman of the Senate Democratic Policy Committee; and the Honorable John Heinz, Member of the Senate from the State of Pennsylvania.

The Chair, at this time, will recognize Senator Byrd.

STATEMENT OF HON. ROBERT C. BYRD, A U.S. SENATOR FROM THE STATE OF WEST VIRGINIA, AND CHAIRMAN, SENATE DEMOCRATIC POLICY COMMITTEE

Senator BYRD. I appreciate this opportunity to appear before the subcommittee which very shortly will be marking up its legislation.

I am joined by Senator Heinz from Pennsylvania, who is a cosponsor, along with four other Senators, of the legislation, and the legislation to which I address my remarks is S. 1784.

I would like at this point to have distributed among the members of the subcommittee a chart which I think would be helpful to us all, and our testimony, and Mr. Chairman, when you have received your copy, I will begin.

Mr. Chairman, at the present time, as you have already stated, I do not need to repeat, the unemployment situation in this country is one that we cannot continue to condone, but in the meantime, those who are unemployed must have assistance.

In the chart, you will notice that at the top, the long bar is the total work force.

Take, for example, West Virginia, say the total work force is 600,000 to 700,000. The total bar represents that, and then to the left of the chart, as you look at the chart, you will see the total unemployed which in West Virginia is 17.5 percent.

Now, the bottom chart merely picks up that left, the chart on the left at the top, and runs it across the page, and you will see that that bottom chart, which is the 17.5 percent total unemployed, TUR, is broken into five areas, and the first is made up of those who receive basic unemployment insurance benefits.

That basic unemployment insurance category is determined by the State legislature. The State legislature determines the number of weeks, the amount of tax that will be levied against the employer on each, or based on the number of employees that the employer has.

The number of weeks vary from, I believe, 20 weeks in Puerto Rico to something like 34 weeks in Wisconsin, and 28 weeks in West Virginia, with the average being 26 weeks.

Now, that is a very important category because the IUR, the insured unemployment rate, is based on that category. The IUR then is the percentage of unemployed persons who are receiving basic, in other words, State benefits, a percentage of the total work force that makes up that category.

The basic unemployment insurance benefits are paid totally by the State. We have three programs. We have the basic insurance benefits, the extended benefits program, which is shown next to it, and the Federal supplemental compensation benefits, which shows up as the third among the five.

The basic unemployed insurance benefits program, as I say, is determined by the State. The States pay 100 percent of the benefits. The Federal Government pays 100 percent of the administration of all of these programs.

Now, the present program needs to be reformed, for a number of reasons. And first, it is so complicated that many of the administrators of the program have great difficulty understanding it.

Many Members of Congress have great difficulty, the employers, the employees have difficulty in understanding it.

There are few people on the Hill here, I would say, outside this committee and Finance Committee in the Senate, who have even a modicum of understanding of this very complex hodgepodge that has built up over the years, which is referred to as our unemployment insurance program.

Now, let's go to the second block in that basic five-block bar. That represents the extended benefit program, which runs for 13 weeks, as I say, on top of the 28 weeks in West Virginia or the average of 26 weeks, but one only can receive the extended benefit if the State is eligible.

The eligibility of the State to receive the extended benefit is determined by the IUR, insured unemployment rate. To qualify for extended benefit, a State's IUR must be 5 percent, a minimum of 5 percent plus 120 percent of the average over the past 2 years; in other words, 5 percent plus 20 percent higher than the average unemployment over the past 2 years.

At the present time, only two States are eligible. It was my understanding that Louisiana and West Virginia are those two. I heard the Chairman say there were only two jurisdictions presently eligible, West Virginia and Puerto Rico.

Why is that? That is because the other States and jurisdictions do not meet the formula which is 5 percent plus 120 percent of the average over the past few years, or a total of 6 percent who qualify for benefits based on the IUR.

Now, the third paragraph, the third portion of the bar, reads "receiving Federal supplemental compensation." Now, while the State pays 100 percent of the benefits under the basic program, and the State pays 50 percent, with the Federal Government paying 50 percent under the extended benefit program, the Federal Government pays 100 percent of the benefits under the Federal supplemental compensation, and every State and jurisdiction qualifies for Federal compensation.

The only difference is in the number of weeks for which a State or jurisdiction would qualify.

Now, under the supplemental compensation, a State will receive such supplemental compensation on this basis. If the IUR is minus 4 percent, then that State will receive 8 weeks of supplemental compensation.

If the IUR is from 4 to 4.99, that State will receive 10 weeks, and from 5 to 6 percent of unemployment, IUR, the State would receive 12 weeks. Including anything above and including 6 percent would receive 14 weeks.

All in the fourth and fifth bar have either exhausted unemployed benefits and are still unemployed, or in the fifth block, they were never covered by the UI system.

There is a need to change the system. The first basic programs, totally paid for by the State, with the Federal Government paying for the administration of the program, and a second tier, which would be more fair.

The present system is not only extremely complicated, but it is unfair in that it uses the IUR as the basis for a State's eligibility for extended benefits, and also as the basis for the number of weeks of supplemental insurance.

The IUR is not an accurate reflection of the need that exists in a given State. For example, in West Virginia, we have 17.5 percent total unemployed, but the IUR is 7.19, because the IUR does not represent the total need, the total unemployment picture.

For example, those who have exhausted their basic benefits in the State plan then move over into the extended benefits plan if

the State is eligible, and take West Virginia, which is eligible, they move over into that program, they no longer receive basic benefits.

Consequently, they no longer figure in as a factor in determining the IUR, and if they do not, if the State does not qualify for extended benefits, it still does qualify, because all States qualify for the supplemental compensation program, which has to be reauthorized from time to time.

The extended benefits is a permanent program.

Now, if they have moved over either into extended benefits or don't qualify for that, and are receiving supplemental compensation or if they do qualify and they are moved over into supplemental compensation, they are moved out of the IUR, and for those who have exhausted all unemployment insurance benefits, whether basic and extended and supplemental or have received basic and supplemental, they have exhausted all unemployed insurance benefits, they remain unemployed, but they are not counted in that IUR.

They are no longer a part of the picture, and also there are those who were never covered by the UI system, so they may have given up hope. Employment. There are many persons in this country who have given up hope, and are no longer a part of the statistics used in determining the percentage of unemployment, so then they move out of the IUR.

The IUR is virtually concurrent with the basic benefits paid by the State, so we can see that the program is not only highly complicated, but it is also unfair in that many States which ought to qualify for extended benefits do not qualify because of the formula and supplemental compensation program, is not a permanent one and has to be reviewed from time to time, and the current supplemental compensation program will expire as of the 30th day of this month, so it is unfair.

It is complex, and strangely enough, or actually, the higher the unemployment in a given State, the greater drain there is on that State's trust fund, and the greater the tax will be on the employer, and that in turn will discourage the employment of new workers.

S. 1784 would change this unfair, complex program by doing the following: It would reduce the number of tiers from three to two and still remain the basic unemployment insurance program, and a number of weeks to be determined by the State legislature and the amount of tax on the employer would continue to be determined by the State legislature.

The second and third tiers would be combined into one, and it would be a permanent tier. How would it work? The State would, as now, in determining the number of weeks for which it is eligible, and the number of extended benefits, that situation would be changed, so that a State could choose either to determine its eligibility on the basis of the IUR or the TUR, the TUR being the total unemployment rate.

West Virginia would be able to choose either between the IUR or the TUR, which is 17.5 percent and which more accurately represents the need for that State, whichever is the more advantageous to that State.

Under the bill, S. 1784, a State would receive benefits beyond the basic program if its IUR is 4 percent, between 4 and 4.99 percent,

and the IUR is greater than the average over the previous 6 years instead of the previous 2 years, as is now the case.

In addition, the State could choose the alternative, which it cannot now do. It has only one course at the present time, one mudsill, one test, one determinant, and that is the IUR.

The State could choose the TUR or the IUR. If the TUR were 9 percent, and there are 28 States and jurisdictions out of the 53 that have an unemployment rate above 9 percent, if the unemployment rate were between 9 and 9.99, the unemployed persons would receive 10 weeks of a different benefit.

If the IUR were 5.99 and the IUR is greater than the average whole of the prior 6 years, or if the State total unemployment rate is between 10 and 10.99, then the unemployed person would receive 20 weeks of benefit.

If the IUR is between 6 and 7 percent, and the IUR is greater than the average over the prior 6 years, or if the TUR, in other words, if the State didn't meet that, the TUR were between 11 and 12 percent total unemployed, then unemployed persons would qualify for 25 weeks of benefit.

And finally, if the IUR is 7 percent and above, and is greater than the average over the prior 6 years, it doesn't meet that, but meets the next test, 12 percent unemployment and above, that State would be eligible for 30 weeks of benefit.

This would be a permanent program, and it would cut out the second tier. There are three jurisdictions, only three States qualify for that, and under the program which we are espousing, and the other Senator, the States would be bereft of that second complicated category, the measuring test which discriminates against 40 or 50 at the present time, and the program would be permanent.

At the present time, as I said before, the Federal supplemental compensation program is not permanent, and will have to be reauthorized by September 30 if it should continue, so we would have a permanent program. It would be less complex, and the States, instead of having to use the one determinant factor; namely, IUR, could use either that factor or the total unemployment rate, which would indeed reflect the true need in any given State.

Additionally, under the bill introduced by Senator Heinz and myself, as the unemployment rose in a State, the Federal Government would pick up more and more of the tab and the State would pick up less.

Why is that?

That reasoning is based on what we think is the fact that a State's unemployment is so largely affected by the national economy and by factors beyond the borders and the control of a given State, and as the unemployment rises, it costs the States more and in turn costs the employers more.

The West Virginia situation is not unique except that it has the highest unemployment rate in the Nation, but that is not an accurate reflection of the need. In the other States, Michigan with 14.6 percent cannot receive the extended benefits program, because it does not meet the IUR requirement.

So the employers and the State would not be penalized under our program as much as they are penalized now. Their taxes would not

be increased as much as they would have to be increased at this time, and the Federal Government, which is responsible for the national economy, which is reflected in a State's economy, would have to pick up more of the tab if the unemployment rises, so I think those are the major advantages.

We do away with the hodgepodge. We do away with a system that has just been put together by our tinkering with it from time to time, and by adding this and that and these different formulas which cannot be met by most of the States for the extended benefits program, so that we would have a program which would be better understood.

It would be more predictable, and it would be more fair.

That completes my statement, Mr. Chairman. I do have a prepared statement which I would offer for the record.

Chairman FORD. Without objection.

Senator BYRD. And also some charts and additional information. I wish to express my appreciation to Congressman Stark for introducing in the House yesterday the bill that Senator Heinz and I introduced earlier in the Senate. I am advised that Congressman Stark was joined by Congressman Pease, who also serves as a member of this subcommittee, and who is present, and by Congresswoman Kaptur, who will be testifying before the subcommittee today.

It is very encouraging to see this level of concern among the subcommittee members about the problems that I have described in my testimony today, and which Senator Heinz and I have sought to address in our bill.

I am hopeful that the subcommittee will take action, take advantage, may I say, of the present opportunity to make some of the structural changes in the unemployment system that are so badly needed.

The situation is now, and while the iron is the hottest, and the situation is most in our minds, and the fact that, the additional fact that the supplemental benefits program is going to expire on September 30, these various circumstances would not only necessitate but would encourage the reform of this system at this time.

It should be done at this time. That completes my extemporaneous statement and my prepared statement will go in the record.

I again thank the chairman and those on the subcommittee for their interest, for their diligence and for the work which they will do in connection with this bill which is so vitally important to the States of the Union and to the people who are so unfortunate as to be unemployed.

While the unemployment rate is down somewhat, the number of unemployed is still 10.6 or 11 million, and for them, even though the recession may be bottoming out, perhaps the future is looking better economically, for them it is going to be a long time until they recover, and perhaps they can never recover the losses they have already sustained, a home, an automobile, a failure to send a bright child to college, and of course, one could go on, so as far as I am concerned, Mr. Chairman, that limits my statement to the subcommittee.

We have a caucus at 10:30 for a briefing in relation to the Korean airliner situation and the situation in Lebanon.

[The prepared statement follows:]

STATEMENT OF HON. ROBERT C. BYRD, A U.S. SENATOR FROM THE STATE OF WEST VIRGINIA

Mr. Chairman and distinguished Members of the Subcommittee: Let me begin by expressing my appreciation for the opportunity to testify before you today. Mr. Chairman, I particularly appreciate your invitation to appear here, and of your including in the agenda for this hearing the unemployment insurance bill that I and Senator Heinz introduced on August 4 in the Senate.

The work this subcommittee does in the next week to ten days will be critical to determining the future course of unemployment insurance in this nation. Yours is a major challenge, but also a significant opportunity. I am hopeful that my comments today will aid you in your efforts.

The economic indicators signal that we have begun to climb out of the depths of the recession in which we have been mired since July of 1981. As the long-awaited recovery materializes, however, we must not forget that recovery will be a very long time coming to many millions of Americans who lost their jobs and, in many cases, their possessions and homes as well during the past two years.

Unemployment still is at a terribly high level on a nationwide basis. The national unemployment rate in August, the latest month for which the Department of Labor has announced figures, was 9.5 percent.

No public official should rest while we have over 10.7 million persons in the American work force who are idle; while 5.8 million are working part time because they cannot find full time work; and while 1.7 million are still so discouraged as a result of their unsuccessful search for work that they have dropped out of the labor force altogether, and are not counted among the officially unemployed.

And the picture is even bleaker in some of the states that have been hardest hit by the recession. In June, the last month for which the U.S. Labor Department has compiled comprehensive figures, my state of West Virginia had a 17.5 percent unemployment rate. Michigan had a 14.6 percent unemployment rate. Ohio had a 12.8 percent rate. All told, 27 states and the District of Columbia had rates 9 percent or higher.

It also is important to note that those who have been laid off in this recession are remaining unemployed longer than in previous recessions. In May of this year, one million five hundred fifty thousand workers had been unemployed for a full 12 months, and this does not count the structurally unemployed who have not worked in recent years.

It is all too clear to those of us who have seen their plight first hand, who have talked to them in the communities in our states and districts, and who receive letters and calls from them on a daily basis, that these unemployed workers and their families are the hapless victims of our economic illness.

The saga of the unemployed worker and his or her family has been repeated countless thousands of times. Tragedy is not too strong a term to apply here.

As I noted, unemployment insurance usually is available as a partial cushion. However, the unemployment insurance system currently is not functioning to provide the degree of cushioning that I believe the Congress intended. This is true primarily with respect to programs of additional benefits beyond those available through the basic U.I. programs operated by the states. The system simply was overcome by the severity of this recession and the magnitude of unemployment we have experienced and continue to experience, and by flaws that this severe testing of the system have revealed starkly.

Presently, although 28 of the 53 states and other jurisdictions have unemployment rates of 9 percent or greater, and the national unemployment rate is 9.5 percent—very severe unemployment by historical standards—only 2 states are eligible for Extended Benefits—the second of three tiers of benefits available through the unemployment insurance system. This unacceptable situation is primarily the result of the use of the Insured Unemployment Rate (the I.U.R.) as the sole state eligibility determinant for the program.

In 1981, the Congress made two changes in the use of the I.U.R. The first change increased the level of the I.U.R. a state must have to qualify. The second change omits from the computation of the I.U.R. any person receiving benefits beyond regular state benefits. The I.U.R. continues to omit in its computation all persons who have exhausted all U.I. benefits, as it did before 1981.

Even had these changes not been made, however, use of the I.U.R. as the sole state eligibility determinant for the Extended Benefits program was badly flawed. States that are hardest hit by unemployment—particularly where the average dura-

tion of unemployment is highest—are substantially disadvantaged, because a greater proportion of their unemployed populations are not counted in the I.U.R. This distorting effect generally is greatest as a state's unemployment rate peaks and begins to fall but still remains very high—as currently is the case in many states. My own state of West Virginia provides a vivid example: while its total unemployment rate currently is 17.5 percent, its I.U.R. is only 7.19 percent.

In addition to this unacceptable situation with the Extended Benefits program, we are facing another crisis in the Supplemental Compensation program—the third or last tier of benefits. This tier expires again on September 30. It is absolutely unthinkable that Congess will fail to continue providing a number of weeks of benefits at least equal to the number now available, counting the weeks of Supplemental Compensation. And yet we must go through the motions to be sure that the program is reauthorized again, and avoid an interruption that could be devastating for the unemployed and their families who are dependent on these benefits while they still cannot find work.

There is yet a third major problem with the portions of the unemployment insurance system that are superimposed on top of the basic state U.I. programs. This problem is the confusion, distress, and cynicism that result from one of the most complicated programs operated at any level of government in this nation—that result from a program that is supposed to help those who have fallen upon hard times, but instead often stymies and boggles the mind. It defies understanding by the workers it is designed to protect, by the employers who pay into its trust funds, by the taxpayers who finance some of its benefits through general revenues, and, indeed, by the members of Congress who are its creators, and the federal and state administrators who are charged with operating it.

The Extended Benefits and Supplemental Compensation programs are crying out for repair. The basic idea of such additional benefits is sound; it is, in fact, essential. But these programs must be reformed so that they actually will provide the protection they were intended to provide. They must be reformed so they will be dependable. And they must be reformed so that those who need benefits beyond those provided in basic state programs, those who pay the costs, and those who operate the programs can understand what help is available, how to obtain it, how much it costs, and how to operate the programs providing it efficiently.

These are not minor repairs. They cannot be accomplished by tinkering with the programs. It is time for a real overhaul of the system beyond the basic benefit programs at the state level.

It seems clear to me that now, when major revisions in the Extended Benefits program are required, and when the Supplemental Compensation program expires in three weeks, now is the time to make sense out of this confusion by combining these two programs so that they no longer exacerbate each other's flaws. There are a number of changes that need to be made. I wish to highlight the most important.

First, rather than having two programs that operate according to inexplicably conflicting state eligibility standards and result in incomprehensible durations of benefits, there should be only one program providing benefits beyond those available through the basic programs operated by the states.

Second, rather than having, as in the current Extended Benefits program, state eligibility requirements that dictate a state is eligible for "all or nothing" of the current 13-week benefit period, the program should be structured as the Supplemental Compensation program now is structured—so that states with the highest levels of unemployment are eligible for the greatest number of weeks of benefits, and those benefits stage down as unemployment rates are lower.

Third, the use of the Insured Unemployment Rate as the sole determinant of eligibility no longer is acceptable. It is well known that the Total Unemployment Rate compiled each month by the Bureau of Labor Statistics is based on a national sample, and that the probability of significant error is high with respect to states with smaller populations because the sample size is so small there. Admittedly its use is not ideal. But surely it is apparent that use of the I.U.R. also is far from ideal.

This past Friday, the Brookings Institution published a study containing a striking empirical fact. During 1982, only 45 percent of unemployed workers received unemployment insurance benefits, compared to 78 percent during the recession year of 1975. One of the principal reasons cited by the study's author is that the I.U.R. no longer is accurate in measuring how difficult it is for unemployed workers to find jobs, and consequently is not desirable as a trigger for benefits beyond those in a state's basic program.

As a practical matter, we should not tolerate a methodology that causes a state with 15 percent unemployment to receive only a very few weeks of benefits beyond

those in the basic program. So, although efforts should be redoubled to find a "better mousetrap", in the meantime we should employ the Total Unemployment Rate to assure that states and their long-term unemployed workers are treated fairly.

Fourth, and finally, the financing of the program should be arranged so that, as a state's unemployment rate increases, the federal government will pay an increasing share of the benefits in that state. This can be justified on the grounds that it is extremely likely that unusually heavy unemployment in any state will be largely the result of economic circumstances beyond its borders and control. It also is necessary in order to minimize future additions to the heavy debts that have been incurred by the trust funds of those states that have been hit hardest by unemployment in the current recession. To ignore this situation may result in ever-increasing employer taxation and thereby serve as a disincentive to private sector hiring—with the greatest increases in taxes falling in the states that have had the worst unemployment and are in greatest need of new hiring.

I was pleased to join with Senator Heinz and four cosponsors in introducing legislation—S. 1784—that will do precisely these things which badly need to be done, and which will make other changes of a more technical nature that also are very important. Mr. Chairman, if I may, I would like to submit for the record a summary of the purposes of this bill, a chart showing the distribution of benefits and financing mechanisms it provides, and a brief summary of its provisions.

At a time when we all are hopeful that the corner has been turned toward national economic recovery, we must not forget those who are the victims and remain the victims of this sad episode in our nation's economic history. We must take steps to assure that the cushion of unemployment assistance actually is available to those who need it. Just as important, we should act now, while the failings of the U.I. system are fresh in our minds, to assure that the system will operate more fairly, dependably, and efficiently in the future.

I commend to your consideration the bill which Senator Heinz and I, with cosponsors from both parties, introduced in a spirit of bipartisan cooperation. We believe it could solve the major problems that have confronted the U.I. system in recent months.

I hasten to add that we do not claim that every one of the detailed provisions of our bill is the perfect approach. Surely there is room for improvement, and this Subcommittee's expertise should be brought to bear on that challenge. In particular, the Subcommittee may wish to investigate some alternative to sole use of the Insured Unemployment Rate as the state eligibility determinant other than use of the Total Unemployment Rate. Our bill requires the Department of Labor to undertake a study with this objective, but the Subcommittee may wish to use a different device even now. The Subcommittee also may wish to modify the schedule determining how program costs will be divided between the state and federal governments. It may be desirable to incur slightly greater federal costs in order to assure that hard-pressed states will not have to bear a larger fiscal responsibility at some benefit duration levels.

But I am hopeful that this Subcommittee will act boldly to set in place (1) a logically constructed, single program of benefits beyond state basic programs; (2) with benefits determined by unemployment level; (3) available permanently to states whenever they have high unemployment; (4) with federal financial responsibility increasing as unemployment worsens; and (5) with the use as the state eligibility determinant of a more accurate reflector of the difficulty of finding employment than the Insured Unemployment Rate.

Again, I thank you for the opportunity to talk with you today. I offer my respect and my best wishes as you grapple with the problem of making the U.I. system both more rational and more effective in meeting need. If I can be helpful in any way, I hope you will call on me.

Mr. Chairman, I believe the dilemma of my schedule has been communicated to you previously. A caucus of all Senate Democrats is scheduled to begin momentarily to provide a briefing on the circumstances surrounding the Soviet attack on the Korean Air Lines plane. Consequently I must depart immediately. Again, I thank you for being able to talk with you and your Subcommittee members about this vital program so much in need of major repair.

MAJOR PRINCIPLES EMBODIED IN S. 1784

1. There should be only one program providing unemployment benefits beyond those available under states' basic U.I. programs, rather than the two now existing

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which are poorly coordinated and relate to each other inconsistently and inexplicably.

2. There should be an increasing number of weeks of benefits available under the consolidated program as the level of a state's unemployment increases (much as is now the case in the Supplemental Compensation program).

3. The availability of additional weeks of benefits (beyond those in state's basic program) based on the state's unemployment level should be permanent under the consolidated program, so that it will not be necessary for the Congress to take affirmative action to set in place additional benefits as in the case of the Supplemental Compensation program, and so that these additional benefits will be available to states and multi-state regions that suffer from high unemployment even when the nation as a whole is not suffering from overall high unemployment and Congress therefore would be unlikely to act to establish a temporary program of additional benefits.

4. As a state's level of unemployment increases, the federal share of costs should increase for the benefits under the consolidated program. This is true because the cause of persistent high unemployment on a statewide basis almost always can be traced beyond the state's borders to national economic policy and even international economic circumstances—both far beyond the control of that state and its workers and businesses.

5. Because the Insured Unemployment Rate (I.U.R.) has proved itself to be an unsuitable determinant of state eligibility for additional unemployment benefits, excluding from eligibility many states with very high unemployment, either it should be replaced as the state eligibility determinant or states should be provided with an alternative determinant of eligibility for additional benefits that better reflects need for additional benefits beyond those provided by states' basic programs. One or the other of these changes should be made immediately. It appears that the Total Unemployment Rate (T.U.R.) may be the best alternative currently available, and its immediate use is recommended. However, a concentrated study should be conducted to see if it is possible to devise some measure of a state's need for additional benefits that would be preferable to both the I.U.R. and T.U.R. When and if such a new measure can be found, it should be substituted.

REPLACEMENT OF THE CURRENT EXTENDED BENEFIT AND FEDERAL SUPPLEMENTAL COMPENSATION PROGRAMS WITH A CONSOLIDATED PROGRAM

Objectives

A consolidated program providing benefits beyond those available under the states' basic unemployment insurance programs (generally a maximum of 26 weeks of benefits) is proposed for several reasons:

(1) In order to remedy the current problems with the Extended Benefits program, wherein many states with high unemployment have been ineligible to participate in it because of various "quirks" in its eligibility criteria;

(2) In order to simplify the unemployment insurance system, so that it can be better understood by the public, by public policymakers, by businesses required to support part of its costs through employment taxes, and by those needing its benefits;

(3) In order to offer relief from terrible pressures on unemployment trust funds caused by heavy eligibility for extended benefits in those states beset by high unemployment currently or in the future; and

(4) In order to set in place a permanent program providing a maximum duration of benefits beyond that available currently from the combination of basic and extended benefits, with the duration of benefits available to any state varied on the basis of the state's level of unemployment, removing the necessity for special Congressional action during periods of extreme economic distress and preventing harmful delays in additional assistance reaching the unemployed in distressed states.

The proposed program replaces both the Extended Benefits and Federal Supplemental Compensation programs.

Benefit and financing structure of the program

The following benefits will be available to reach state's long-term unemployed persons, based on the state's Insured Unemployment Rate (I.U.R.) or on its Total Unemployment Rate (T.U.R.) (whichever results in a greater number of weeks of benefits for the state), with costs being covered by the state and federal governments as indicated:

When State IUR equals	IUR is X percent or greater of prior years [1]	TUR is Y percent or greater	Unemployed persons receive Z weeks of benefits [2]	Costs split (percent)		Percent Federal share	
				State Share	Federal share [3]	Trust fund [4]	General revenue
0 to 3.99 percent		NA	0				
4 to 4.99 percent	130	9	10	50	50	100	0
5 to 5.99 percent	105	10	20	40	60	75	25
6 to 6.99 percent	105	11	25	30	70	50	50
7 percent and above	105	12	30	20	80	25	75

[1] That is, X percent of the average of the IUR in the same week in each of the six previous years.

[2] When the national seasonally adjusted total unemployment rate equals or exceeds 10.0 percent, unemployed persons in states in the 0 to 3.99 percent IUR tier will be eligible for five weeks of "Additional Benefits," and five additional weeks will be paid (beyond the number listed) for each other tier—with all such weeks being funded 100 percent from federal general reveune.

[3] State share to be paid from the State trust fund.

[4] Federal trust fund revenues derived from FUTA.

Other alterations in current law with respect to the extended and supplemental benefits programs

If a state qualifies on the basis of IUR for a particular tier, but fails to qualify on the basis of the "percentage of prior years" factor, it automatically qualifies for the next lower tier.

If a state has high total unemployment, but a low IUR, the number of weeks of benefits for which it will be eligible will be determined on the basis of its TUR (as noted in the chart above) if that will result in a greater number of weeks of benefits in the state.

The "percentage of prior years" factor will be qualified on the basis of a six-year average rather than a two-year average.

The IUR will be seasonally adjusted.

Each state will have four identical "Benefit Duration Periods" of three-month duration during each federal fiscal year. The number of weeks, if any, of benefits to be paid under the proposed program will be determined at the beginning of that period, and the state will pay that number of weeks of benefits until the next "Benefit Duration Period" begins three months later. Each "Benefit Duration Period" will begin on the first Sunday following the first day of the first month in each quarter, with the first quarter beginning with October of each year.

When a person becomes eligible for any benefits to be paid under the proposed program, he will be eligible for the number of weeks of benefits for which the state is eligible at the time he gains eligibility for these additional benefits, and will remain eligible for that number of weeks of benefits regardless of whether the state falls to a lower tier of benefits—unless the state falls from one tier of benefit duration to a tier two or more below it during the course of the individual's eligibility for these benefits, in which case his duration of benefits will be adjusted to the proper number of weeks at that lower tier (by subtracting from the number of weeks of benefits payable at that lower tier the number of weeks of benefits under this program that previously were paid to that individual—but in no case will that number be fewer than 2 weeks). If the state raises to a higher tier of benefits during the course of that individual's eligibility episode for the additional benefits, his duration of benefit eligibility will be extended by the difference between the two.

When a person eligible for benefits under this program moves to another state, he remains eligible under the provisions governing his eligibility in the state from which he moved, and that state will continue to pay benefits to him as though he were a resident of the state from which he moved (including duration of benefits).

With respect to any individual, a state is granted flexibility to modify the requirement for active work search, and provision to the Employment Service of tangible evidence of same, currently applicable to the Extended and Supplemental Benefits program if the state determines that labor market conditions in both the labor market areas in which the individual works and resides are so depressed that such efforts as normally are required likely will not result in employment, in accord with regulations to be promulgated by the Secretary.

In order to be eligible for benefits under this program, an unemployed person must participate in one week of an intensive job search program administered by the Employment Service if the Employment Service requests such participation and provides such a program that is accessible to the unemployed person.

Transition provisions

The effective date of all changes noted above will vary in each state. Each state must modify its program to align with the new federal requirements no later than two months following adjournment of the first session of that state's legislature that adjourns no earlier than four months after the date of the enactment of this Act. The Extended Benefits program and the Supplemental Benefits program (if any is still in effect at that time) will cease to be available to unemployed persons in that state on that date. Until that date, the state may proceed under current law (as that law may otherwise be modified in the meantime).

The FSC program is extended in its current form (Social Security Amendments), including the phase-out provision, but omitting the look-back provision, through March 31, 1984.

The 120 percent factor in the Extended Benefits Program is repealed.

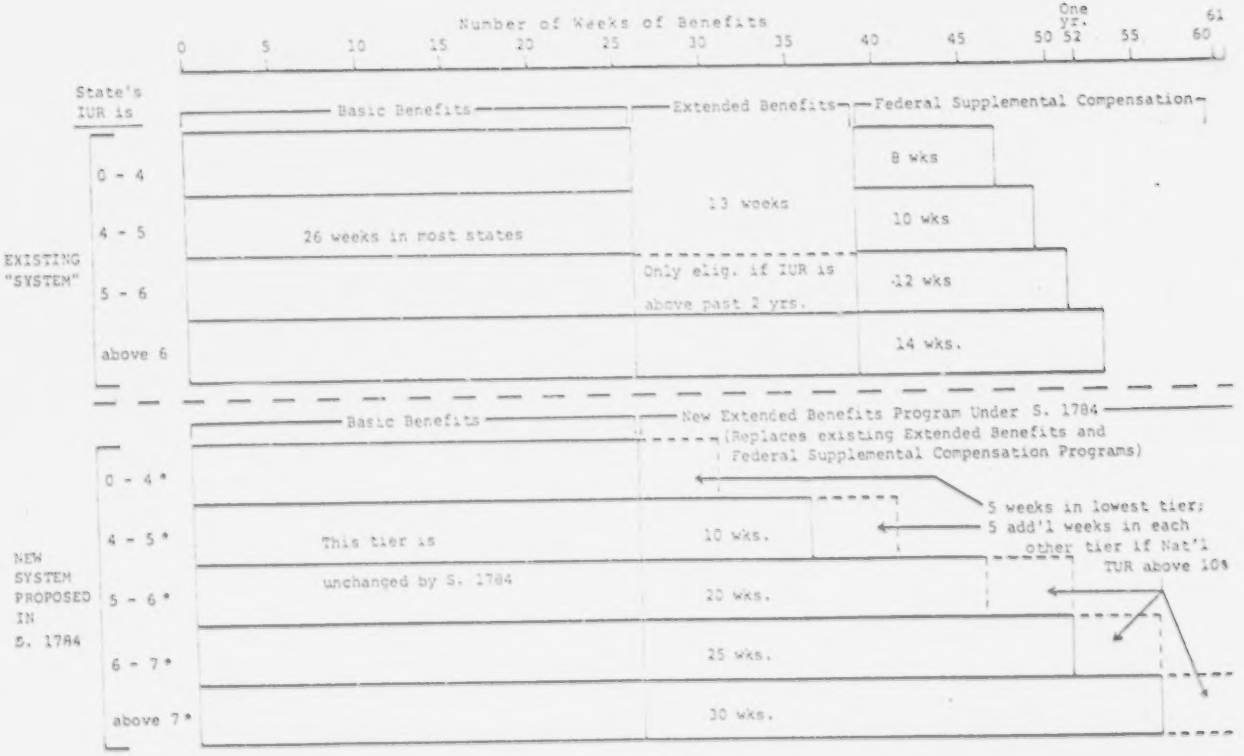
The state option for use of the TUR as an eligibility factor for Extended Benefits, as contained in S. 1589 (98th), is effective through March 31, 1984.

Other provisions

The Department of Labor is required to make a study of new and more accurate measurements of unemployment for use as "triggers" in unemployment insurance programs, and to submit its findings and recommendations to the Congress no later than June 1, 1984.

The Bureau of Labor Statistics is instructed to expand by a factor of 3 its sample size for determining the Total Unemployment Rate, giving special consideration to increasing the statistical reliability of each individual state's TUR calculation, and such sums as may be necessary are authorized to fund this expanded sample.

WEEKS OF BENEFITS PROVIDED IN VARIOUS STATES UNDER THE EXISTING UI SYSTEM AND UNDER THE NEW SYSTEM PROPOSED IN S. 1784



*IMPORTANT NOTE: S. 1784 also allows an alternative trigger to a state's IUR, which will allow states with high unemployment but lower IURs to gain eligibility for greater numbers of weeks of benefits.

Chairman FORD. Thank you for your testimony. I know you have to leave.

The timeframe with which we are working is only a few days and only a couple of weeks with Congress at work. Have you talked with the President about this, or with the administration, on the consolidation of the extended benefits as well as the Federal supplemental program itself?

Senator BYRD. Mr. Chairman, may I also add that my staff, the Senate policy staff, is available to work with the staff of the committee if it sees fit, and I want to be helpful if I can be.

I will be appearing before the Senate Finance Committee on this coming Friday, and I also wish to thank Senator Heinz for cosponsoring this bill and for his courtesy in deferring to me at this time.

Chairman FORD. What happens if the subcommittee would report a bill out to consolidate the EB and the FSC and the Senate, or the administration decided not to support the bill, with the Federal supplemental compensation program expiring on September 30, we would have to extend the program and without reporting a bill out to extend the program for a period of another 6 months and reported to consolidate the EB and the FSC, where would that leave us?

Senator BYRD. That would leave us in the present state of chaos, and which we have a hodgepodge of programs and which no State can predict with assurance that beyond the next 6 months Congress will extend the Federal supplemental program, because hopefully the economy is going to turn, and hopefully unemployment will drop and as it does, there will be less and less inclination on the part of the Congress to extend the Federal supplemental program and under this very difficult formula a great majority of the States which should qualify for extended benefits, if we consider need at all, would continue not to receive that, and that is a permanent program, the extended benefit program.

This bill also contains an extension of the supplemental benefits as a transitional program, I forgot to mention that, so that for a period of 6 months, this bill provides for a transition from the present system to the new system which we are recommending.

Chairman FORD. Thank you very much, Senator Byrd.

At this time, the Chair will recognize Senator Heinz from Pennsylvania. We will hold the questions for Senator Heinz. You may be excused at this time, Senator Byrd.

Senator BYRD. Thank you, Mr. Chairman. I am sure Senator Heinz will make a fine presentation and be able to answer questions and I continue to remain available.

Chairman FORD. Senator Heinz, we once again would like to welcome you here to testify before the subcommittee.

STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator HEINZ. Thank you very much.

I am honored to have this opportunity to testify before your subcommittee. Before Senator Byrd leaves the room, I want to simply commend him on his leadership in not only identifying the numerous problems with the existing nonsystem of programs that we call the Federal unemployment compensation system, but for his cre-

ative initiative in putting together what I believe is a truly comprehensive reform of that program to make some sense out of what is currently nonsense.

I am aware that the subcommittee is also considering an extension of the Federal supplemental benefits program, and I strongly support that, and urge you to move forward with it.

I happen to serve on the Senate Finance Committee, and we have a known record of trying to be helpful on the extension of Federal supplemental benefits, and I hope you will give us that opportunity at the earliest possible time, something I personally welcome. However, I wish to confine my comments to S. 1784, Senator Byrd's and my legislation, together with some other Senators, and I really wish to make a few general points.

Senator Byrd has described the detailed aspects of the legislation with great specificity and particularity. The first point is that this is bipartisan legislation. I happen to be the senior Republican from the State of Pennsylvania and we are fortunate to have two Republican Senators.

This is an area of special interest as well as my responsibility on the Senate Finance Committee, and the reason it is bipartisan is that you do not have to be either Republican or a Democrat to understand that this is a system with neither order or reason, and whose recent history has revealed the serious nature of its structural flaws.

For example, in my home State of Pennsylvania, although the total unemployment rate has dropped somewhat, it is still very high; it is essentially double-digit. Last August 7, 5 weeks ago, we triggered off the extended benefits program, because the insured unemployment rate has been dropping much faster than the real unemployment rate.

In my view, notwithstanding what I believe is the comprehensive nature of Senator Byrd's and my bill, I wouldn't want you to think, and I believe Senator Byrd would agree with this, that either he or I would think that this bill is not subject to improvement or further revision. I think it is fair to say we would very much welcome your advice as well as comments from business, labor, and other government officials, but I must also say that while we seek your input and advice, we also ask your urgent consideration.

I think the time is now to take action before the recession ends, before we develop the political systems of what we might call an Altheimer's disease with respect to the spirit of the unemployment compensation program. We certainly don't want to get into another economic crisis with the present system in place, and leaving us in such confusion as we try to assist our unemployed.

The second point I would make is that as you survey the field of expert opinion, there would appear to be broad agreement among those experts that what we are proposing are indeed the kinds of changes that pass the test of sound public policy, a test that the current fragmented system judged during this recent recession has clearly failed.

In support of that generalization, let me point out that in July 1980, the National Commission on Unemployment Compensation recommended a permanent program to trigger supplemental benefits.

We have no such program. In another instance, the interstate conference has also recommended a permanent program with the additional caveat that general Federal revenues should be used to finance part of the cost of additional weeks during periods of especially elevated unemployment.

Our legislation includes both of those recommendations.

Third, we retain an important improvement, a relatively recent improvement in the unemployment compensation. With the State trigger prior to 1981, everything in the way of benefit duration increased in the way of a national trigger mechanism, which was not flexible enough to provide extraordinary relief to certain parts of the Nation.

Senator Byrd described the way his State trigger operates, and it is an essential concept to target additional assistance to States that have the biggest problem at less cost.

Mr. Chairman, I noted that the legislation at this point should not be considered complete in every jot and title. For example, I would suggest we should consider including railroad workers in the unemployment compensation system. The railroad retirement legislation, which passed before the summer recess, contained a provision directing a study of that possibility. It also considered linking unemployment compensation to retraining for the long-term unemployed whose skills are no longer in demand in the marketplace, and I have requested a study of the OTA, that they undertake a study of that linkage.

Other members of this very hard-working subcommittee will no doubt have already identified other issues of serious concern meriting urgent attention.

I believe it is fair to say that adjusting unemployment compensation to the changing economic realities of the times is not an easy task. If it was easy, I would assume we would have done it before now, but it is a challenge we must assume and a responsibility that we must accept.

I guess in conclusion, let me say it is probably not necessary to remind this subcommittee of the convoluted process that we have been put through to construct or reconstruct or reenact the elements of the Federal supplemental compensation program, and it has been an experience in uncertainty. During the process, the hopes of my constituents and I am sure yours were continually raised and dashed, and the desks of Federal and State workers who were entrusted with administering the program were constantly covered with new procedures. Things happen slowly, and we hear in the Congress, perhaps more in the Senate—you have a little simpler rules mechanism called the Rules Committee—tied ourselves in a procedural knot and what resulted in the Federal compensation program was an ad hoc house of cards. I suppose, worst of all for our constituents, it became a terrifying experience, heading for the edge of a cliff, and over that cliff lay nothing but financial and emotional impoverishment and a plunge into "hopperization" and the destruction of an entire family's hopes and dreams for the future.

Mr. Chairman, I look forward to working with Senator Byrd, with your subcommittee and your committee to try and bring sense to our Federal compensation system, hope to our unemployed and a

brighter day with respect to making good on a promise we made to people.

If they are unemployed through no fault of their own, they should not have to sacrifice everything they worked a lifetime to build. I thank you and would be pleased to answer any questions.

[The prepared statement follows:]

STATEMENT OF HON. JOHN HEINZ, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Mr. Chairman, distinguished members of the subcommittee, I appreciate this opportunity to testify here today.

Your subcommittee will be considering many legislative proposals including an extension of the current Federal supplemental compensation program which I support. However, I would like to confine my remarks today to S. 1784, legislation introduced by the distinguished and eloquent Senator from West Virginia and myself.

I do not wish to unnecessarily take up the subcommittee's valuable time. I believe the Senator from West Virginia has already explained the provisions of our bill, so let me make several points.

First, our legislation is a bi-partisan effort to bring order and reason to a system whose recent history has revealed serious structural flaws. In my view, this legislation is a draft subject to further revisions. I welcome your advice, and the comments of business, labor, and government officials to help in refining our approach.

However, while we seek your advice, we also ask your urgent consideration. May I respectfully suggest the time to begin action is now, even as the recession ends, lest we find ourselves groping to assist unemployed Americans in some future economic crisis.

Second, there is broad agreement among experts in the field that this type of change would meet the tests of sound public policy—a test the fragmented, ill-devised structure of the present program has clearly failed in this recession. In July 1980, the National Commission on Employment Compensation recommended a permanent program to trigger supplemental benefits. The interstate conference of employment security agencies has also endorsed a permanent program, with the additional caveat that Federal general revenues should be used to finance part of the costs of additional weeks during periods of especially elevated unemployment. Our legislation includes both of those recommendations.

Third, our legislation retains an important improvement in the unemployment compensation system: The State trigger prior to 1981, benefit duration increased based on a national trigger mechanism. This national trigger was not flexible enough to provide extraordinary relief to States or regions which were in economic trouble when the rest of the Nation was prosperous. The "State trigger" was an important improvement, and should be retained to help direct our scarce resources in the most effective manner.

As I noted earlier, Mr. Chairman, our legislation does not purport to be exhaustive of all the options we must examine to reform the UC system. For instance, we should consider including railroad workers, and the railroad retirement legislation which passed before the summer recess contained a provision directing a study of this possibility. We should also consider linking unemployment compensation to retraining for long term unemployed whose skills are no longer in demand in the marketplace. I have requested the Office of Technology Assessment to undertake a study of this linkage. Other members of this committee will, I am sure, have identified many other issues of serious concern meriting urgent attention.

I believe it is fair to say adjusting unemployment compensation to the changing economic realities of these times will not be an easy task, but, it is a challenge that we must assume, and a responsibility we must now accept.

It is probably not necessary for me to remind this committee of the convoluted process followed in constructing the Federal supplemental compensation program. It was a confusing, frustrating exercise in uncertainty. During this process, the hopes of our unemployment constituents were continually raised and dashed. The desks of the Federal and State workers entrusted with administering the program were constantly covered with new procedures and regulating. Congress tied itself into procedural knots, and the product itself—the Federal supplemental compensation program—was nothing but an ad hoc House of Cards. Worst of all, for our constituents, it became a terrifying experience in heading for the edge of a cliff over which lies financial and emotional impoverishment—a plunge into pauperization and the destruction of a family's hopes and dreams.

I look forward to working with you and my colleagues on the Senate Finance Committee on improving our legislative initiative.

Mr. Chairman, thank you for the opportunity to appear here today.

Chairman FORD. Thank you very much.

You mentioned one thing about the rail industry, and the plan of unemployment compensation. We passed legislation which established a commission to examine railroad unemployment compensation which you mentioned. I don't know what it initially will report back, but that is an area which we will go looking into. Have you talked with the administration about the proposed legislation that you and Senator Byrd have now introduced in the Senate?

Senator HEINZ. No, but on Friday, I will be, because they are coming before the Finance Committee to give us their reaction. The administration sometimes needs a little persuasion to see the light of day on this. But I remember last year, they were somewhat reluctant, to put it gently, to endorse a Federal supplemental benefits program.

We had a fascinating, even extraordinary hearing, even in July, but ultimately the administration understood the need, and that is to their benefit.

Chairman FORD. The EB program, the administration has been totally opposed to a consolidation.

Senator HEINZ. Not the EB program, the supplemental benefits program, I think you mean?

Chairman FORD. Extended benefits.

Senator HEINZ. That has been a part of the law for many years.

Chairman FORD. The Federal supplemental program, your bill and Senator Byrd's bill, we are talking about a consolidation?

Senator HEINZ. Into one program.

Chairman FORD. The administration has been somewhat adamant about the changes at this point in the Congress?

Senator HEINZ. They may be somewhat adamant. I would not prejudge their testimony. I have not heard it yet. They were somewhat adamant initially about the supplemental benefits program last year, but about 1 month or so after the members of the Senate Finance Committee had an opportunity to reason with the administration, it was—the President actually mentioned in his message, in signing the legislation, that he was proud that the supplemental program was in it.

If you and I do our jobs, and we do them well, we will succeed, notwithstanding where anybody stands today.

Chairman FORD. I guess Members of Congress, the changes in the Reconciliation Act, the changes in the IUR, they have caused most of the problems.

The opposition to any changes in the 1981 reconciliation would lead one to believe since there are only three States that qualify for those extended benefits, West Virginia, Louisiana, as well as Puerto Rico, it goes without saying that they have shown their opposition to the EB program, and that is why I raised the question to Senator Byrd about the administration, what kind of support, if this subcommittee thought in terms of reporting out, feels is similar to the legislation by you and Senator Byrd?

Senator HEINZ. Well, I cannot speak for the President. I am not here to speak for him, but I can speak for a member of the Senate Finance Committee which has the same kind of jurisdiction you do.

I think you will find bipartisan support on the majority of the members of the committee on the comprehensive reform of this legislation. I can't guarantee they are going to be ready by the end of Friday of this week, but I do think you will find with respect to the extension that there will be sufficient support. It will be an easy proposition. I hope that you will be getting more confidence.

Chairman FORD. Thank you, Senator Heinz.

Mr. Thomas.

Mr. THOMAS. Thank you, Mr. Chairman.

I thank the Senator. I want to thank Senator Byrd for his testimony and the proposition. I agree with Senator Byrd and we should be sensitive to the unemployment consideration. Even though the unemployment percentages are going down; we should still be sensitive.

We also agree that the current system perhaps is not a system at all, but when we get into solutions, that is when we begin to have differing points of view and perceive the unemployment question differently.

And to the point of understanding your proposal, Senator, I have a couple of questions to clarify it and then some questions to allow me to understand the impact of your program.

Currently using the IUR, your proposals adds a TUR and the TUR of necessity must count those persons who were never under the unemployment system. They are not eligible to receive benefits. What I need is a rationale.

Now, the TUR may be a rate that is useful to examine unemployment in certain instances. But why would a rate which includes people who have never been eligible for benefits and will not receive benefits be used in order to increase the benefits of those who are covered?

Senator HEINZ. Congressman Thomas, that is a fair question.

What we are currently limited to is choosing among two alternatives. You yourself have pointed out the difficulties with the insured unemployment rate. The only other statistical measure that we have right now is the total unemployment rate and it seems to me that, while I think there are flaws—and you have identified at least one or two of them—with the total unemployment rate, it is nonetheless a better measure of the difficulty of finding a job than the insured unemployment rate.

So between the two, I think it is the better measure, even though I would be the first to agree with you that it is not perfect.

Mr. THOMAS. The second change would be a redistribution, and in fact, moving away from an equal distribution on the extended benefits to an unequal distribution based upon one of two criteria: either the IUR or the TUR.

Do you have any evidence based upon current rates either of the IUR or the TUR to determine how many of these States would go from 15 weeks to zero?

Senator HEINZ. At the present time, I cannot give that to you today. It is possible——

Mr. THOMAS. You go from 13 weeks to zero, though, under your plan, don't you?

Senator HEINZ. I don't want to speculate about it without knowing the accurate answer, but I can get you that information.

Mr. THOMAS. It is also possible for some weeks to go from 13 weeks to 25 or 30 weeks under the plan?

Senator HEINZ. Yes. Let me just get the details.

Mr. THOMAS. Well, in Pennsylvania and West Virginia, Pennsylvania would go to 25 weeks.

Senator HEINZ. Senator Byrd took all the detailed information with him when he left. We were looking off the same set of specs.

Mr. THOMAS. Well, this gets into the problem of coming up with a solution even if we agree that the present system does not work and what I found after a cursory examination is that West Virginia and Pennsylvania do very well and that California does not do well at all.

Senator HEINZ. That could be a serious problem, but I am sure it is a problem we can address.

Mr. THOMAS. Yes.

One other question. Also, I notice that the percentage shift goes from a current straight 50/50 to a sliding percentage. Now, there are some States that would not receive those extended benefits because they would be under the criteria for either IUR or the TUR and there would be no Federal share there.

Do we have any analysis of the amount of money saved by those States falling under the criteria versus the increased money expended by the percentages and therefore what happens under this new program vis-a-vis the current program?

Senator HEINZ. There are some very rough estimates. The reason we are holding hearings in the Finance Committee is to get CBO and others to testify as to the fiscal impact overall and the change in the program and among the various States.

Mr. THOMAS. But there is no question that the program would cost more?

Senator HEINZ. I would anticipate it would cost more. I have never found, no matter how hard I tried to do a better job, that it does not cost a little bit more money. We all say we could do a better job for less, but I find it does not usually work that way.

Mr. THOMAS. If we are going to give more benefits and we are going to count people who don't receive the benefits in the distributing of those benefits, and if we are going to assign a larger share to the Federal Government under that kind of program, there is no question but that it is going to cost more, and considerably more.

Senator HEINZ. If one accepts the fact that there are people who are being dropped off the program, entire States—48 of them having been dropped off the program in many cases—it flies in the face of logic that that happened. Of course there are going to be more people who are going to be on benefits. Hopefully, that is precisely the problem that the legislation will address.

And if there is anything in either Senator Byrd's or my testimony that indicates that this is for free, we apologize. It is not for free.

Mr. THOMAS. No, not at all. I prefer to hang on to the point you indicated that it is not finalized in any form and that there are opportunities for changes in various ways.

Thank you very much.

Senator HEINZ. Congressman Thomas, thank you. Those are good questions.

Chairman FORD. Mr. Pease walked over to vote. He is en route back. He has several questions for you.

I know you may have to leave now. There is another Senator from your State; Senator Specter is here. If you don't mind, I would like to call your colleague from your State to the witness table now.

Senator HEINZ. I would be honored to yield to my colleague from Pennsylvania, Mr. Chairman.

May I say I have two hearings that I am supposed to be at right now, one that started at 9:30 with Paul Volcker on financial services deregulation in the Banking Committee, one that started at 10 o'clock in the Finance Committee on mortgage revenue bonds and housing tax credit certificates, to be followed, as Senator Byrd said, by a meeting of all Senators.

Chairman FORD. I understand your schedule, Senator, and you are excused.

So if it is all right for Mr. Pease to submit some questions for the record to you, we would appreciate it if you would respond.

Senator HEINZ. I certainly will.

Thank you, Mr. Chairman.

Chairman FORD. Thank you, sir.

The Chair would recognize the Senator from the State of Pennsylvania.

Senator, we welcome you before the Public Assistance and Unemployment Compensation Subcommittee on Ways and Means, and the Chair will recognize you at this time.

The Chair would like to say that when Mr. Pease walks in, I will have to excuse myself to go to vote. There is a vote on the floor. But you may proceed now with your testimony.

STATEMENT OF HON. ARLEN SPECTER, A U.S. SENATOR FROM THE STATE OF PENNSYLVANIA

Senator SPECTER. Thank you, Mr. Chairman. I very much appreciate this opportunity to testify and I commend this subcommittee for moving promptly as we come back from the August recess to take up this very important problem.

I commend my two distinguished colleagues, Senator Byrd and Senator Heinz, for introducing S. 1784, which is an excellent proposal to reform a very fundamental problem which exists with unemployment compensation in this country today, and I have joined them as an original cosponsor of that bill.

There is a need in the short run, as you have suggested, Mr. Chairman, to address the problem occasioned by the termination of Federal supplemental compensation, which is due to run out September 30, and if this committee and the Senate Finance Committee and the President, in conjunction with both Houses of the Con-

gress, can act in advance of September 30 to complete legislation on S. 1784, that would be a good resolution.

I frankly doubt very much that that can be accomplished because the proposals by Senators Byrd and Heinz are very far-reaching and may not be accomplishable within that timeframe. And I think, as a matter of urgency and immediacy, there must be an extension of Federal supplemental compensation beyond September 30.

Senator Levin and I some several months ago, in late March, early April, introduced legislation which would extend that timeframe by some 6 months on Federal supplemental compensation. And later this week I am going to introduce legislation on this 120 percent triggering factor, which I suggest is grossly unfair and has created tremendous inequities across this country.

During the course of the August recess, I had occasion to travel through Pennsylvania and visit unemployment offices in Pittsburgh and Wilkes-Barre and Scranton, and hold open houses where I heard problems of Pennsylvanians in Philadelphia and Pittsburgh and Chambersburg and Gettysburg, Butler, Mercer—all parts of the State.

Many people attended these open house town meetings. Notwithstanding the tremendous problems on the international scene, the leading item on the agenda consistently was the problem of unemployment, which in Pennsylvania is at 10.8 percent. Some 620,000 Pennsylvanians are out of work.

I notice as the hearings proceed today that we have had a group of Pennsylvanians arrive from the Mon Valley, an area in the Pittsburgh vicinity which has been especially hard hit by unemployment.

Mr. Chairman, as we have heard talk about an economic recovery, to the extent that there has been one—and my own sense is that it is much too soon to make any rosey predictions about the economy recovery—but to the extent that there has been some improvement, it has not affected smokestack States like Pennsylvania. Although the statistics may be somewhat less, the level of pain and the level of trauma and the level of concern is very, very high.

I know that you are going to hear from those who have been subjected to the personal indignity of unemployment later in this proceeding, when we won't have the Members of Congress and Senators testifying about it. But I have seen that firsthand and I happened to be in Pennsylvania on August 10, just a few days after the statistics were released on August 5, which resulted in having Pennsylvania triggered off the extended benefits program. This program is amazingly complicated and not very well understood. Regular unemployment benefits, which extend for some 26 weeks, are financed by the States. It is the extended benefits, which then pick up for 13 weeks, split costs 50/50 between Federal and State unemployment, and have this factor of the 120-percent trigger, which has now worked in such an irrational way that only two States remain with the benefits of this component.

And then the third tier is the Federal supplemental compensation which provides for up to 24 weeks and is due to expire on September 30. Within that third tier there are complex reach-back provisions. I had occasion when I was in Pittsburgh to be in the

unemployment office for some time and to go through the files of perhaps 12 or 15 people who came to the windows of the unemployment compensation bureau.

I suggest to you, Mr. Chairman, that that is an experience which is very informative on the people who are going through the problems of being unemployed. They come to the windows and start to present their case and go through the complexities of where they stand with respect to unemployment compensation or extended benefits or Federal supplemental compensation. I dare say if there were an examination by the 534 Members of the U.S. Congress, that there would be very few who could keep these categories straight or understand even the most fundamental points.

As I testify, I constantly refer to my notes as to what is an extended benefit and what is a supplemental benefit. And the English language does not have any distinction or definition between extended or supplemental, but it is only the piling on of our Federal bureaucratic complex system which has led to this situation.

But beneath all of the verbiage, Mr. Chairman, there are a few very fundamental facts on which we all agree and that is that there are 10½ million Americans who are unemployed. It has repercussions in Pennsylvania to be reaching some 620,000 Pennsylvanians. There is an urgent need to see to it that the supplemental compensation, which is due to expire on September 30, not expire and that in the short run there be an extension of that program.

And that adds to the tier 2, which is the extended benefits, that there be a change to eliminate the irrational trigger of 120 percent. There have been many points in the history of our country when unemployment was much less severe than it is today when that trigger was not in effect.

So in essence, Mr. Chairman, I hope that this subcommittee will act promptly, initiating the legislation that comes from the House so we can then act on it in the Senate, to act with immediacy to be sure that the September 30 deadline does not come into effect, bring some rationale into it to eliminate the 120-percent trigger and then as promptly as we can address the very excellent legislation proposed by Senator Heinz and Senator Byrd. I come this morning to tell you of my personal experiences being in the unemployment compensation offices and being in the open houses and having contact with several thousand Pennsylvanians during the course of the last 6 weeks and can personally attest to the pain and suffering and the need for the Congress to promptly address this problem.

Thank you, Mr. Chairman.

Mr. PEASE [presiding]. Thank you very much, Senator Specter. We certainly appreciate your testimony and the perspective that you bring from your firsthand experience at the unemployment office.

It would be useful if all 535 Members of Congress, I think, were to spend time, as you did, at an unemployment office.

I feel constrained to mention to you, if Chairman Ford has not already, that we have a vote in progress and that is why we are shuffling in and out of here and I am temporarily in the chair.

At any rate, we do appreciate your testimony. I will just say that I would agree with you entirely on the degree of confusion among

not only unemployed workers but everybody else about the three tiers, and certainly total unemployment remains well above 10 percent in your State and my State.

It is hard for workers to understand why all of a sudden 13 weeks of extended benefits should be taken away. So I think it is important that we try to simplify this system as much as we can.

One of the problems that we have faced so far is that the administration is less than enthusiastic about extending the FSC program, as Senator Heinz so eloquently put it, or making any changes in the EB program. I wonder if you have had any conversations with the administration at all which might lead you to believe that they would be willing to change their attitude on this matter.

Senator SPECTER. Congressman Pease, I have not talked to anyone in the administration about these specific problems at this moment. But from conversations with people of the administration on other matters or related matters, I believe that when push comes to shove that the administration will be willing to push the Federal supplemental compensation beyond the September 30 deadline.

I have had a variety of contacts with people at the White House, including the President, on other matters and inevitably during the course of these discussions, the economy comes up and the problems of unemployment come up, and I lose no opportunities telling people at that end of Pennsylvania Avenue about the problems in Pennsylvania which I have seen firsthand. And when we talk of the economic recovery, it is incipient at best and it does not reach States like Pennsylvania to any degree at all.

I believe that there is an awareness at the White House, at that end of Pennsylvania Avenue, and it may well be that this is going to be a last-minute event which may well come within the continuing resolution which will pass at about 11:59 on September 30. But I believe that the President will ultimately approve Federal supplemental compensation extension.

On the triggering, I think we have a little more difficult problem, but I believe that as the number of States have been narrowed to only two, it is obvious that the triggering mechanism makes no sense. And I think we can prevail on the White House to agree to that as well.

I do believe it is going to be harder realistically when you have a comprehensive program like S. 1784 to get the administration's approval. That is mainly because the long-range planning always takes a back seat to the emergency items. But when September 30, 11:59 p.m. comes along, I think we will get it done.

Mr. PEASE. I am glad to hear you have that optimistic outlook.

Prior to early August, Pennsylvania unemployed workers would have been eligible for 26 weeks of the State program, 13 weeks of EB and 12 weeks, I suspect, of FSC, 10 or 12 weeks, for a total of 49 or 51 weeks of unemployment compensation. Now, because you have triggered off EB and the FSC might expire, your workers may be eligible for a maximum of 26 weeks.

If we extend FSC and provide, say, 12 weeks, then you will go to 26 and 12, which is 38 weeks maximum eligibility, which will still be 13 weeks below what it was in June and July.

The solution to that problem, it seems to me, is, as you suggest, to try to do something with the triggering formula for EB's, and I have legislation and Ms. Kaptur does and several other members which would return the trigger for EB back to where it was before the reconciliation as of 1981. That is to say, the trigger would be higher and people who have exhausted extended benefits would be counted as part of IUR.

Does that sort of legislation sound like something that you would be willing to support?

Senator SPECTER. Yes, it does. I would like to see the full 24 weeks, however, of Federal supplemental compensation reinstated.

Congressman Pease, I think it would be absolutely unconscionable if, given the economic climate in this country and the vast numbers of unemployed, that there were to be any cutback at this time on the benefits which reached the unemployed workers.

One statistic which has shocked me as I have reviewed the facts here is that there are only 38 percent of the unemployed who are receiving unemployment benefits today, and when we deal with these various levels of statistical computation, the insured unemployment rate, those who are getting benefits and those who are actually unemployed, it is a really surprisingly low figure. At some times, historically, there have been up to 80 percent of the unemployed workers who have been eligible for unemployment compensation benefits and to have a figure at 38 percent is a very telling and very emphatic demonstration of the ineffectiveness of the current system.

Mr. PEASE. Thank you. I think those are very, very useful statistics from you.

Senator, I have just been handed a copy of testimony that will be given later today by the acting Assistant Secretary of Labor on behalf of the administration, which the Secretary says "is our understanding of legislation changing the EB program would not be approved by the President."

I am encouraged that you see the problem in a little different light and I would hope and ask that you perhaps can give us a hand in the Senate when this legislation reaches the other body.

Senator SPECTER. Well, I certainly shall, Congressman Pease, and I am not at all discouraged to know that the Assistant Secretary has taken that position. It would have been very surprising if on the opening of round 1 we had found acquiescence with S. 1784.

Mr. PEASE. Thank you very much. We appreciate your testimony.

The Chair finds that the next witness is the person who is supposed to be the acting chairman, so we will defer that panel for a moment and call on the Honorable Bob Wise of West Virginia.

Mr. Wise, would you come forward?

If you will suspend for a moment, we have a panel scheduled of members of the House. I think any members of the House who are scheduled to testify can join the panel as they come.

Congressman Mollohan, would you like to come forward?

You may proceed.

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STATEMENT OF HON. ROBERT E. WISE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. WISE. Thank you, Mr. Chairman.

Joined as I am by Congressman Mollohan of the West Virginia delegation, I greet you. I know that what we are talking about you are no stranger to, Mr. Chairman. I appreciate the opportunity to appear before your committee today as it takes under review the possible extension of the Federal supplemental compensation and extended benefits program.

I would like to request, Mr. Chairman, that I be permitted to introduce my written statement into the record as a whole and I will just summarize from it.

Mr. PEASE. Without objection.

[The prepared statement follows:]

STATEMENT OF HON. ROBERT E. WISE, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. Chairman, thank you for allowing me to appear before your committee today as it takes under review the possible extension of the Federal Supplemental Compensation and the Extended Benefits programs. As the end of this fiscal year approaches, your deliberations on the topic of unemployment insurance take on added importance.

Mr. Chairman, members of the committee, you have before you a long list of pieces of legislation that seeks to deal with the unemployment insurance issue. I am a cosponsor of one of them—H.R. 3433—which would extend the FSC program through March 31, 1984. It is an issue that has come to mean much to the citizens of our country as our economy has worsened, and the recession has deepened. I come from West Virginia, and I can tell you that whatever economic "recovery" people are talking about in Washington certainly has not reared its head in my district.

Unemployment in my state has worsened dramatically in the last few months. In August, West Virginia unemployment increased 5,600 for an estimateed total of 108,400. The latter figure represents 17.4 percent of the state's labor force. The figure also represents a dramatic increase from August 1982's total of 30,900. Thirty-seven counties in my state experienced an increase in their unemployment rate last month, in contrast to 15 counties in which the unemployment rate declined. Double digit unemployment rates prevailed in 45 counties. The mining industry was the leading source of unemployment in 21 of my state's counties. Construction was the leading industry of unemployment in 17 counties and manufacturing was the leader in 16 counties.

A tour of the counties in my district, looking at unemployment specifically, takes one's breath away. Boone County, with 23.4 percent unemployment. Braxton County, with 21.0 percent. Calhoun County, with 22.0 percent. Clay, with 27.9 percent. Jackson, with 21.7 percent. Lincoln, with 32.1 percent. Mason, with 25 percent. Nicholas County, with 34.4 percent—the 3rd highest rate in the state, and 25 percentage points above the national average. Roane County, with 23.6 percent unemployment, and Wirt County, with 20.7 percent unemployment. The West Virginia state average is 17.4 percent.

More specifically, at least 13,522 West Virginians have exhausted their jobless benefits over the last three months. A pattern of increase has been established in this regard at approximately 500 individuals per month. West Virginia leads the nation in the percentage of persons receiving unemployment insurance—6 percent.

Mr. Chairman, members of the committee, the statistics I just mentioned to you are really just numbers on a sheet of paper in Washington. They take on a whole new meaning when one looks into the eyes of the human beings they represent. I know each of you feel the same way. The Federal Supplemental Program is oftentimes the last hope for many of my constituents. At the very least, it should be extended; but it needs some revision at the same time.

Unemployment insurance is justifiably a joint federal-state responsibility. Compensation, as you know, is available under three programs. These include two permanent programs for regular and extended benefits, and a third, the FSC Program, which generally is enacted during periods of high unemployment. Regular benefits are usually available for up to 26 weeks, and are financed by state payroll taxes on

employers; extended benefits are provided equally in states with high unemployment rates (such as mine) for up to an additional 13 weeks, and are funded equally by state and federal payroll taxes. The third tier (FSC) runs for 8 to 14 weeks, depending on a state's Insured Unemployment Rate (IUR), and is paid solely out of Federal revenues. Theoretically, the potential maximum duration of benefits under all these programs is 65 weeks. In practice, however, due to curtailed coverage, the average duration of benefits is 35 to 40 weeks. And, according to several private studies, 62 percent of the total unemployed population of our country received no unemployment benefits last month.

As you know, two years ago Congress eliminated a provision allowing the EB program to be "triggered on" by a national unemployment rate, and raised the EB-trigger to make it more difficult for the program to be activated. In addition, Congress revised the method for figuring the IUR. A state's IUR is calculated by dividing the number of individuals receiving basic state unemployment benefits by the number of individuals working on jobs covered by unemployment insurance. The present calculation of the state IUR excludes the number of long-term unemployed who have exhausted basic benefits. This fact takes on added significance in a state such as mine where unemployment has been most severe, and where long-term unemployment is on the rise. In such states, the IUR may actually be dropping. In addition to affecting the payment of benefits under FSC, this overly restrictive method of IUR calculation has resulted in the termination of the regular Extended Benefits program in all but 2 states. Thankfully for my constituents, West Virginia is not one of them, but we cannot ignore the unemployment problem in states such as Michigan, Ohio, and Alabama that rank in the top five in numbers of unemployed, yet who's IUR calculation places them way down the pecking order. For this reason, I also support H.R. 3573, authored by Congresswoman Kaptur and Congressman Pease, which would extend the FSC program for 6 months, and would also include individuals filing claims for all types of unemployment compensation in the IUR calculation. This would increase the chance that long-term jobless in hard hit states will receive additional weeks of benefits.

Mr. Chairman, members of the committee, I applaud your examination of all of the bills that have been referred to this committee in one hearing such as this. It shows that you have a healthy attitude towards the problems that the unemployed in our country are experiencing with the FSC and EB programs—and it shows that you are serious about helping the unemployed.

The time, as you know, is short. The end of this fiscal year approaches, and the FSC program needs to be renewed. I urge you to come to a quick decision regarding these programs, and to make the necessary changes in the administration of them that events have indicated would be prudent.

I thank the committee for its time.

Mr. WISE. There is a long list of legislation before you, but I would like to give you more of the background from whence I come.

I come from West Virginia, the State with the highest unemployment in the Nation, and I can tell you that whatever economic recovery people are talking about in Washington certainly has been slow in coming to my district.

Historically, my State—and I think other areas of the country—lag behind any kind of recovery by the basis of our industry, basic manufacturing and certainly coal mining. Unemployment in my State has worsened dramatically in the past few months.

In August, it increased 5,600 for a total of 17.4 percent of the State's labor force. This is a dramatic increase from August 1982's total of 30,900. Thirty-seven counties in my State experienced an increase in unemployment last month, while only 15 counties declined.

The mining industry was the leading source of unemployment in 21 of my State's counties. Construction was the leading source of unemployment in 17 counties; manufacturing, in 16 counties.

I toured the counties in my district and all 14 counties—as I know every Member in this House was active in their district over

the recess—a tour of the counties in my district looking at unemployment takes one's breath away.

Boone County, 23.4 percent unemployment; Braxton County, 21 percent; Calhoun, 22 percent; Clay, 27 percent; Lincoln, 32 percent; Mason, 25 percent; Nicholas, 34.4 percent, third highest in the State and 25 percent above the national average.

At least 13,500 West Virginians have exhausted their jobless benefits in the past 3 months. West Virginia leads the Nation in the percentage of persons receiving unemployment insurance, 6 percent, and should extended benefits and FSC not continue beyond September 30, 8,568 more West Virginians will lose FSC benefits.

Mr. Chairman, there is one point that I would like to ask you to consider. As you know, 2 years ago Congress eliminated a provision allowing the EB program to be triggered by the unemployment rate and raised the EB trigger to make it more difficult for the program to be activated.

In addition, Congress revised the method of figuring the IUR. I request that you take another look at that formula. That particularly hits a State such as mine hard.

This fact takes on added significance in a State where unemployment has been most severe and where long-term unemployment, those who have run through their benefits, already will not be considered and is certainly on the rise.

Presently, West Virginia is not one of the States that has been terminated for EB, but certainly there are other States that are.

We are apprehensive and for that reason I support H.R. 3575, cosponsored by Congresswoman Kaptur and Congressman Pease, to extend that for 6 months.

Mr. Chairman, I would like to depart now and say a couple of things that kind of struck me going through my district. You go to Jackson County where Kaiser Aluminum has been off for 2 years, and many people have been out of work for 2 years.

You go to Boone County where coal mining is slow coming back. You go to Nicholas County and a man comes to the door and says, "I am about ready to run through my benefits." You look at those people and you scruff your feet and look for any solution to pull out of the air.

If you cut these benefits off on September 30, this is no solution. We have people who have already run through their benefits and that is a problem, but for those who say we have to balance the budget and lower the deficit, of course, which we do, I wish they would come out and confront the situation.

I went to the Kaiser Aluminum gate 1 week ago. Two hundred fifty persons showed up who were still unemployed despite some of the callbacks, and I remember one woman looking at me and saying, "We have just run through the benefits. They are going to expire on September 30. I have got two children. What do I do?"

Mr. Chairman, I don't know what she will do. I know it is a slow process coming back, but I also know we have to assist those people in every way who are going to be back, but they are not back yet.

I was discouraged to hear 1 minute ago the administration's position on this. As I say, I invite them to the Kaiser gate and I invite them to come to some of the coal mines in my district.

I invite them to tour my district and answer that question to those who ask what do we do.

Thank you very much for the opportunity to appear and to present my statement.

Chairman FORD. Thank you very much, Mr. Wise.

Mr. Mollohan.

STATEMENT OF HON. ALAN B. MOLLOHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF WEST VIRGINIA

Mr. MOLLOHAN. Mr. Chairman, and members of the committee, I would like to thank you for holding this hearing on unemployment compensation. Consideration of unemployment compensation can easily lead to discussion of a much broader range of issues, from traditional fiscal and monetary policies, to our trade policy, to our lack of an industrial policy.

Just as the fundamental cause of unemployment is found in these policies, so must the fundamental solution be addressed through these policies. Our short-term goal today, however, is not quite so complicated: unemployment, whatever its fundamental cause, remains unacceptably high and the unemployment compensation system we have established to meet it is working only imperfectly.

My State of West Virginia has the unfortunate distinction of the highest unemployment rate in the country. Unemployment compensation has consequently become one of my major priorities.

I am sponsoring two relevant bills, one to extend the Federal supplemental compensation program an additional 6 months beyond its September 30 expiration date, and another to offer additional weeks of FSC compensation to certain persons who exhaust all current benefits and still cannot find employment.

Before getting into the specifics of these two bills, I would like to comment briefly on the unemployment situation in this country as a whole and West Virginia in particular.

We are, the economists tell us, in an economic recovery. This alleged recovery has pushed unemployment down from its December 1982 peak of 10.8 percent to its current 9.5 percent. 9.5 percent is certainly better than 10.8 percent, but it hardly constitutes a recovery.

While I understand that unemployment is traditionally a lagging indicator of economic improvement, the prospects for a sustained recovery with a low unemployment rate remain slim for several reasons.

First, many economists report that the economic recovery is already losing its momentum. Although the index of leading economic indicators rose again in July, the 0.3-percent increase was the smallest recorded since the recovery began last December.

Second, historically, the recoveries from recent recessions have resulted in higher and higher rates of standard unemployment. If this trend continues, we cannot expect unemployment to drop much below 9 percent following our most recent recession.

Finally, the national statistics, which show unemployment holding steady at 9.5 percent, belie the situation in individual States. The August figures show seasonally adjusted unemployment actu-

ally increasing in the large industrial States of Michigan—which recorded a 1.2-percent increase—Illinois, New Jersey, Pennsylvania, and Ohio.

The situation in West Virginia—whose economy traditionally rests on the basic "smokestack" industries of coal, steel, chemicals and glass—remains terrible. The supposed recovery in my State has manifested itself by pushing the unemployment rate all the way down to 17.5 percent.

It is difficult to understand this kind of unemployment without experiencing it. The steel industry in West Virginia—as elsewhere—is working at only 50 percent of capacity.

If you were a miner in my district, there is almost a one in two chance you would not have a job today. You may have worked 10 years in one mine I know of that recently laid off 450 miners out of a work force of 600. If you were a machinist, you might have worked at Wheeling Machine, which closed last month, putting over 730 persons out of work.

Mr. Chairman, the economic recovery, while having a marginal effect on national unemployment statistics, is obviously leaving large segments of our unemployed behind. There simply are not enough jobs for the people.

Although unemployment in the country remains high, and in some States is actually increasing again, Congress actions with regard to unemployment compensation during the past 2 years have been contradictory and confused.

Aside from creating the Federal supplemental compensation program last year, Congress has largely emphasized limits on eligibility. The 1981 Reconciliation Act included a number of ill-conceived provisions that sharply limited the availability of compensation under the extended benefit program and rendered benefit eligibility determination much less logical: The IUR trigger rates were increased, the national trigger for the extended benefits program was eliminated, and the IUR was calculated in a new way that did not count recipients of extended benefits as insured unemployed.

This latter provision has had some absurd results during the prolonged recession of the last 2 years. Speaking as a Representative of one of only two States still triggered on the extended benefits program, I wonder—Where is the sense of an extended benefits program that denies benefits to Michigan's 14.3 percent unemployed, Ohio's 11.1 percent, and Pennsylvania's 11.5 percent?

Reform of the extended benefits program is needed, and I will support whatever legislation the committee reports to the floor of the House.

While recognizing the problems of the EB program, I have chosen to concentrate on the Federal supplemental compensation program, because even with a perfectly functioning EB program, many States—including West Virginia—would still require the FSC program.

The first of my bills, H.R. 3433, is a simple extension of the program containing no changes in existing law. It does not, frankly, go far enough in addressing the needs of the long-term unemployed, but it has several important practical advantages: It has received bipartisan support. The minority leader, as well as the majority leader, are among the more than 90 Members who have cospon-

sored. Its cost is included in the budget resolution, so its adoption would not contribute to the disintegration of the budget process. It is reasonably likely, I think, to receive the approval of the Senate and the White House. In sum, of all the measures discussed today, this is the most likely to become law before the end of the fiscal year, which is just 17 days away now.

I understand that Senator Byrd, Senator Heinz, and Senator Specter have already discussed their comprehensive reform, which, as an ultimate solution holds great promise.

If this committee is confident that S. 1784 will be passed by both Chambers and signed into law by the President, I hope that it will report the bill soon. Otherwise, I urge you to support a separate FSC extension first. Let's get that assured before tackling the more complex details of reform.

Although the simple extension has the most likely prospects of success, as I indicated earlier, it does not go far enough in meeting the needs of long-term unemployed. That is why I am introducing a second bill to expand the FSC program by providing an additional 8 to 14 weeks of benefits to those persons who exhaust their regular FSC benefits, and then go 90 days without finding a full-time job.

This would be a considerable expansion of the FSC program and it would cost money, but I am not hesitant to propose it. I have already briefly discussed the unemployment situation in West Virginia. Men and women who have spent most of their working lives in one occupation are being laid off.

Forty- and fifty-year-old men and women are being told that the only skills they have are no longer needed, not in West Virginia and not anywhere. In stable economic times, West Virginia's reliance on the basic industries is good for West Virginia and good for the country.

The coal, steel, chemicals, and glass produced in West Virginia played no small role in the history of the United States in the 19th and 20th centuries. Unfortunately, we are not in a stable economic period, we are in a fundamental restructuring of our economy. I have no doubt that West Virginia and other similarly affected States will adapt, but it is not easy. It will take time. It will take patience, and it will take the assistance of the Federal Government.

Even if the economic recovery has begun—which I deeply hope it has—the basic industries of West Virginia will be the slowest to respond. Workers in these industries have already been unfairly penalized with layoffs and the threat of layoffs; is it fair to further penalize them by denying them the unemployment compensation they need before the recovery reaches them? There are those who argue that, rather than expanding the unemployment compensation system, we should wait for economic recovery to eventually trickle down to the unemployed. I would respond that if the recovery is really going to get these long-term unemployed back to work, the cost of these bills will be minimal. If you have faith in the recovery, don't be afraid to expand the FSC program, it won't cost much. If, however, the recovery doesn't reach these people, they will desperately need the additional weeks of benefits.

Thank you.

Chairman FORD. Thank you very much.

STATEMENT OF HON. FREDERICK C. BOUCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. BOUCHER. Mr. Chairman, I appreciate the opportunity to appear before you today in support of H.R. 2169, legislation I have introduced to amend the Federal-State Extended Unemployment Compensation Act to provide for the payment of extended unemployment benefits in substate areas and to replace the insured unemployment rate, IUR, with the regular unemployment rate for the purpose of triggering extended benefits.

My bill is designed to remove the inequities of the current extended benefits program which arise from the use of a statewide trigger to activate the EB program. Because the payment of extended benefits is activated only by a measure of statewide unemployment, the IUR, extended benefits are not available in regions of very high unemployment located within States that otherwise have low overall rates of unemployment in comparison with other States.

My own State of Virginia provides an excellent example of how the current program fails to serve those most in need of extended benefits. The heavy military presence in Virginia's Tidewater area and the large Federal civilian presence in northern Virginia has served to stabilize Virginia's economy even during periods of high national unemployment.

The table below indicates how Virginia's statewide unemployment rate has compared to the national rate of unemployment.

During the period between July 1982 and June 1983, when the recession was deepest, Virginia's unemployment rate ranged between 6 percent and 8 percent, and the State's insured unemployment rate remained below 3 percent.

Despite the State's relatively low unemployment rate throughout the 12-month period, regions within the State experienced unemployment at more than triple the national rate and more than quadruple the State's rate.

In the coal-producing counties of southwest Virginia, unemployment currently ranges between 18 percent and 25 percent, and in one county, unemployment has been as high as 36 percent.

Notwithstanding these devastatingly high levels of unemployment, no extended benefits have been available to assist jobless people in my district due to Virginia's relatively low statewide level of unemployment. Although the situation is particularly acute in Virginia, virtually every State that did not activate its extended benefit program during the depths of the recession had regions of unemployment far above the State's average unemployment rate.

Reliance only on a statewide measure of unemployment for the extended benefits trigger denied the long-term unemployed in those regions the benefits they needed to provide for their families while they searched for new employment.

The unfairness of the current law is striking. At one point earlier this year, Buchanan County, Va., had an unemployment rate of 32.8 percent, and at the same time, Detroit, Mich., had an unem-

ployment rate of 20.4 percent. Because Virginia's IUR was below the extended benefits trigger, unemployed coal miners in Buchanan County did not receive the extended benefits payable to the unemployed auto workers in Detroit.

At the same time earlier this year, the unemployment rate in Duluth, Minn., was 20.9 percent, while the unemployment rate in Pittsburgh, Pa., was 11.6 percent. But because Minnesota's IUR was below the statewide trigger level used to activate the extended benefits program, iron-ore miners in Duluth were not eligible to receive the extended benefits available to the unemployed steelworkers in Pittsburgh.

By using a statewide measure of unemployment, pockets of high unemployment are, in effect, balanced out by regions of low unemployment. No matter how deep and sustained the recession in a given region of a State, extended benefits are not available unless the State's overall unemployment rate rises high enough to activate the extended benefits program.

Under the provisions of H.R. 2169, the payment of extended benefits would still be activated on a statewide basis if a State's overall unemployment rate is 9 percent or above for at least 3 consecutive months.

If the statewide program is not activated, however, extended benefits may be payable on a substate basis if the unemployment rate in any given "economic area" exceeds 9 percent for three consecutive months.

The economic areas to be used for this purpose have been devised by the Bureau of Economic Analysis of the Department of Commerce and reflect common economic interests within States.

There are 189 economic areas in the Nation, but, for the purposes of the extended benefit program, some amendments to the areas will be necessary. For example, although the boundaries of economic areas follow existing county and city lines, they often cross State lines.

H.R. 2169 provides that for purposes of the EB program for those areas which are comprised of jurisdictions from more than one State to be divided into separate areas and considered as independent areas within their respective States.

Use of the economic area system will allow for the payment of extended benefits in substate areas and will alleviate the inequity caused by the use of only a statewide trigger for the extended benefits program.

The principal problem in implementing a substate mechanism for the payment of extended benefits is data collection. H.R. 2169, I respectfully submit, solves that problem.

Use of the economic areas as contemplated by H.R. 2169 would require that the Department of Labor obtain from State employment commissions or by other means unemployment rates for each county and city in the country.

This data would then be analyzed to determine unemployment rates for each of the economic areas in the country. Once the data collection procedures are established, I am confident that the system could operate smoothly and that benefits would be targeted to those most in need.

While there are early indications that the national economy may be improving, the coal industry, the auto industry, the steel industry and other sectors of the economy remain severely depressed.

Because of the prospects for another resurgence in interest rates, it is clear that unemployment will remain a severe problem in many parts of the country. To help assure equitable unemployment compensation for jobless persons living in pockets of high unemployment, I strongly urge the committee to act favorably on H.R. 2169, the Unemployment Compensation Fairness Act.

I appreciate the opportunity to share my thoughts with you this morning.

Chairman FORD. Thank you very much.

[The prepared statement follows:]

STATEMENT OF HON. FREDERICK C. BOUCHER, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF VIRGINIA

Mr. Chairman and Members of the Committee: Thank you for the opportunity to appear before you today in support of H.R. 2169, legislation I have introduced to amend the Federal-State Extended Unemployment Compensation Act to provide for the payment of extended unemployment benefits in substate areas and to replace the Insured Unemployment Rate (IUR) with the regular unemployment rate for the purpose of triggering extended benefits.

My legislation is designed to remove the inequities of the current extended benefits program which arise from the use of a statewide trigger to activate the EB program. Because the payment of extended benefits is activated only by a measure of statewide unemployment (the IUR) extended benefits are not available in regions of very high unemployment located within states that have low overall rates of unemployment.

My own state of Virginia provides an excellent example of how the current program fails to serve those most in need of extended benefits. The heavy military presence in Virginia's Tidewater area and the large federal civilian presence in Northern Virginia has served to stabilize Virginia's economy even during periods of high national unemploment. The table below indicates how Virginia's statewide unemployment rate has compared to the national rate of unemployment:

	Month											
	7/82	8/82	9/82	10/82	11/82	12/82	1/83	2/83	3/83	4/83	5/83	6/83
Virginia	7.8	7.6	7.4	7.6	7.8	8.1	9.0	8.6	7.7	6.6	6.0	5.5
United States	9.8	9.9	10.2	10.5	10.7	10.8	10.4	10.4	10.3	10.2	10.1	10.0

During the period between July, 1982 and June, 1983 when the recession was deepest, Virginia's unemployment rate ranged between 6 and 8 percent, and the state's Insured Unemployment Rate remained below 3 percent. Despite the state's relatively low unemployment rate throughout the twelve-month period, regions within the state experienced unemployment at more than triple the national rate and more than quadruple the state's rate. In the coal-producing counties of Southwest Virginia, unemployment currently ranges between 18 and 25 percent, and in one county, unemployment has been as high as 36 percent. Unemployment rates for the jurisdictions in my Congressional District are shown in Appendix I to my testimony.

Notwithstanding these devastatingly high levels of unemployment, no extended benefits have been available to assist jobless people in my district due to Virginia's relatively low level of unemployment. Although the situation is particularly acute in Virginia, virtually every state that did not activate its extended benefit program during the depths of the recession had regions of unemployment far above the state's average unemployment rate. Reliance only on a statewide measure of unemployment for the extended benefits trigger denied the long-term unemployed in those regions the benfits they needed to provide for their families while they searched for new employment.

The unfairness of the current law is striking. At one point earlier this year, Buchanan County, Virginia had an unemployment rate 32.8 percent, and at the same time, Detroit, Michigan had an unemployment rate 20.4 percent. Because Virginia's IUR was below the extended benefits trigger, unemployed coal miners in Buchanan County did not receive the extended benefits payable to the unemployed auto workers in Detroit.

At the same time earlier this year, the unemployment rate in Duluth, Minnesota was 20.9 percent while the unemployment rate in Pittsburgh, Pennsylvania was 11.6 percent. But because Minnesota's IUR was below the statewide trigger level used to activate the extended benefits program, iron-ore miners in Duluth were not eligible to receive the extended benefits available to the unemployed steel workers in Pittsburgh.

By using a statewide measure of unemployment, pockets of high unemployment are, in effect, balanced out by regions of low unemployment. No matter how deep and sustained the recession in a given region of a state, extended benefits are not available unless the state's overall unemployment rate rises high enough to activate the extended benefits program.

Under the provisions of H.R. 2169, the payment of extended benefits would still be activated on a statewide basis if a state's overall unemployment rate is 9 percent or above for at least three consecutive months. If the statewide program is not activated, however, extended benfits may be payable on a substate basis if the unemployment rate in any given "economic area" exceeds 9 percent for three consecutive months. The economic areas to be used for this purpose have been devised by the Bureau of Economic Analysis of the Department of Commerce and reflect common economic interests within states.

There are 189 economic areas in the nation, but, for the purposes of the extended benefit program, some amendments to the areas will be necessary. For example, although the boundaries of economic areas follow existing county and city lines, they often cross state lines. H.R. 2169 provides for those areas which are comprised of jurisdictions from more than one state to be divided into separate areas and considered as independent areas within their respective states. Use of the economic area system will allow for the payment of extended benefits in substate areas and will alleviate the inequity caused by the use of only a statewide trigger for the extended benefits program.

The principal problem in implementing a substate mechanism for the payment of extended benefits is data collection. Use of the economic areas as contemplated by H.R. 2169 would require that the Department of Labor obtain from state employment commissions or by other means unemployment rates for each county and city in the country. This data would then be analyzed to determine unemployment rates for each of the economic areas in the country. Once the data collection procedures are established, I am confident that the system could operate smoothly and that benefits would be targeted to those most in need.

While there are early indications that the national economy may be improving, the coal industry, the auto industry, the steel industry and other sectors of the economy remain severely depressed. Because of the prospects for another resurgence in interest rates, it is clear that unemployment will remain a severe problem in may parts of the country. To help assure equitable unemployment compensation for jobless persons living in pockets of high unemployment, I strongly urge the Committee to act favorably on H.R. 2169, the Unemployment Compensation Fairness Act.

9TH CONGRESSIONAL DISTRICT OF VIRGINIA UNEMPLOYMENT DATA

	Month—									
	10/82	11/82	12/82	1/83	2/83	3/83	4/83	5/83	6/83	7/83
Bland County	12.1	14.5	16.6	19.5	18.8	15.2	17.2	11.5	10.3	9.8
Buchanan County	23.2	26.5	30.6	32.8	36.3	33.4	31.6	27.2	25.7	25.1
Craig County	10.4	14.0	14.7	14.0	13.0	9.8	9.2	7.8	7.1	7.4
Dickenson County	24.4	27.2	27.6	25.4	24.5	21.7	20.3	19.3	18.4	18.0
Floyd County	10.4	11.3	14.1	12.2	11.9	8.6	7.0	6.3	5.5	6.6
Giles County	13.8	15.7	15.9	17.6	18.2	14.1	12.9	10.4	9.2	9.4
Grayson County	9.8	9.8	11.1	13.4	12.5	8.6	7.5	8.1	6.5	7.3
Lee County	11.9	14.4	15.2	15.5	18.2	16.9	14.6	13.0	12.9	13.3
Montgomery County	8.3	8.1	10.5	10.4	7.8	6.1	5.9	5.0	4.6	4.6
Pulaski County	13.9	13.0	12.7	17.5	17.9	11.9	13.2	10.8	9.2	8.6
Russell County	21.6	23.7	27.4	27.1	27.6	25.9	24.4	22.4	21.5	21.3

9TH CONGRESSIONAL DISTRICT OF VIRGINIA UNEMPLOYMENT DATA—Continued

	Month—									
	10/82	11/82	12/82	1/83	2/83	3/83	4/83	5/83	6/83	7/83
Scott County	10.5	12.6	13.1	11.7	11.2	10.0	11.3	10.2	9.5	9.2
Smyth County	16.5	15.8	17.3	20.5	18.9	16.6	14.1	11.9	11.3	10.3
Tazewell County	19.4	22.3	28.8	28.6	28.4	27.2	26.0	22.9	21.3	20.1
Washington County	11.7	11.1	11.8	12.8	12.7	11.8	9.9	8.6	8.0	11.0
Wise County	15.3	15.7	16.8	17.8	17.1	15.5	14.5	13.7	13.1	12.8
Wythe County	15.8	15.8	15.8	21.0	19.8	17.0	15.3	12.4	10.9	11.7
City of Bristol	11.6	12.2	12.1	11.7	10.9	10.4	8.8	9.3	8.8	12.0
City of Galax	8.4	8.6	8.0	14.6	14.7	8.4	7.2	7.5	5.9	5.9
City of Radford	11.7	9.8	14.9	12.1	9.5	8.3	6.1	6.2	4.9	5.4
City of Norton	11.4	12.4	11.1	12.4	12.1	11.3	9.7	9.2	9.2	8.4
District average	13.9	14.9	17.4	18.6	18.2	14.7	13.6	12.0	11.1	11.3
State average	7.6	7.8	8.1	9.0	8.6	7.7	6.6	6.0	5.8	5.7

Source: Virginia Employment Commission

Chairman FORD. The Chair will recognize Ms. Marcy Kaptur at this time.

STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Ms. KAPTUR. Thank you, Mr. Chairman. I wanted to also express my appreciation in your role as chairman in being so responsive to many of the new members in focusing additional attention on this whole question of extending unemployment benefits and I must say that your leadership in this area is sorely needed and was welcome.

Chairman FORD. Thank you very much.

Ms. KAPTUR. I will formally submit comments for the record, but will summarize in the interest of time, if that is all right.

I am here this morning to testify in favor of revising and extending the Federal supplemental compensation program.

I believe without a doubt that the Federal supplemental compensation program must be renewed. A simple extension, however, is not enough.

The program must be modified so that sufficient benefits are provided to the most needy individuals. The millions of unemployed who have exhausted or will soon exhaust all their unemployment benefits should not be left wondering if income security assistance will be available in the future.

In my testimony the five basic points I addressed are, first of all, the overwhelming need for the FSC program itself.

Second, that an extension of the FSC program should include a reachback provision and individuals who have received FSC benefits prior to September 30 should be eligible for additional benefits.

Third, the formula by which FSC benefits are determined must be changed since the current formula does not adequately include the long-term unemployed.

Fourth, that cost considerations should not prevent the enactment of a modified FSC program.

Finally, that comprehensive reform of the unemployment insurance system is a necessity.

I just wanted to mention that in the area that I represent, northwestern Ohio, the Ninth District, there is no question that additional extensions of FSC are certainly necessary.

We are basically a manufacturing area and with the major transformation that our manufacturing bases is undergoing, change will not come quickly. We still have in Lucas County over 26,000 people who still have been out of work for a very long time and who will remain out of work.

It is important to point out that we should not let the current economic recovery and concurrent drop in unemployment rate obfuscate the plight of the long-term unemployed.

The recovery has been both real and welcome, although it is a rather unusual recovery, but it has not and will not soon provide jobs for the long-term unemployed, the people who write me daily.

I wanted to focus on the two bills that I have introduced and have worked a little bit on that deal with FSC. First of all, the extension itself and my interest in including the reachback provision in that.

The FSC bill which passed in March included a reachback provision which allowed individuals who had received FSC benefits prior to the bill's enactment to receive additional benefits.

This provision, therefore, allows the longest of the long-term unemployed, those who presumably need the most help, to receive benefits.

By September 30, a large number of persons will already have exhausted their FSC benefits. Exact nationwide figures are not available, but in Ohio alone, some 200,000 persons will have exhausted all their benefits and about 8,500 persons will have exhausted their benefits in my district.

It is these individuals who are in greatest need of additional assistance. This afternoon the Governor of our State, along with several unemployed people, will be testifying here and I think that will help shed additional light on this particular need.

A possible reachback provision is incorporated in H.R. 3822, a bill I introduced in early August. This bill simply replicates the reachback approach provided under our current law.

Second, I, along with 37 other cosponsors, including Congressman Pease, have formulated a bill which would change the formula to calculate FSC benefits.

The current unemployment rate formula does not include all persons who are on extended Federal supplemental benefits or those who have exhausted all their unemployment benefits.

This exclusion of the longest of the long-term unemployed has the following effect: The unemployed in States where economic dislocation is greatest often do not receive the maximum available weeks of FSC benefits.

The correlation between the duration of unemployment and the length of unemployment benefits is not as close as is warranted. The bill that I mentioned would provide for the inclusion in the IUR formula of individuals filing claims for all types of unemployment compensation.

As a result, the larger the number of long-term unemployed in a State, the more weeks of FSC benefits that could be collected.

Since, however, the bill would not result in a lowering of any State's IUR, no State would receive less FSC benefits.

As far as the cost of these proposals, the congressional budget committees have been very busy in calculating all of the different unemployment figures that have been submitted and they have only been able to give us ball-park estimates.

On the first measure, the reachback measure that I referred to, they estimate the price tag would be somewhere—they say and they would have to calculate it more carefully—around $900 million on the IUR formula. They are not really able to give us figures at this time. They are busy with Senator Byrd's proposal at the moment, but I know that they would be able to provide those if the committee needs them.

Finally, I would like to say a word about comprehensive reform and the bill that was introduced by Senator Byrd and Senator Heinz. The existing three-part unemployment insurance system is certainly cumbersome, confusing and not very well targeted.

I know, Mr. Chairman, you made reference to that in one of our earlier meetings. The continued use of shortrun extensions of the FSC program is really not the best solution and while I have focused my own remarks on modifying and extending the FSC program because of the pending expiration date, I strongly support comprehensive reform of the unemployment insurance system.

I believe we have an excellent opportunity to undertake such reform. The comprehensive reform proposal introduced yesterday by Congressman Stark is worthy of consideration. This bill, of which I am a cosponsor, would consolidate the FSC and EB programs and would revise the trigger mechanism and make a number of other necessary technical changes.

I believe the bill should be modified slightly. For example, the transitional FSC program should include a reachback provision. On the whole, however, this bill would result in a saner and fairer unemployment insurance system than we now have, and I urge the subcommittee and offer my own full support in any way that I can to put this bill on a fast track so that it would become law before October 1.

I thank you, and thank the members of the committee, Mr. Pease, and Mr. Matsui.

[The prepared statement follows:]

STATEMENT OF HON. MARCY KAPTUR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. Chairman, I welcome this opportunity to testify before this Subcommittee in favor of revising and extending the Federal Supplemental Compensation program. I commend the Chairman's leadership in holding these hearings. Without a doubt, the FSC program must be renewed. A simple extension, however, is not enough. The program must be modified so that sufficient benefits are provided to the most needy individuals. I am confident that a thorough review of the FSC program will lead this Congress to enact a modified FSC law by the end of this month. We need to act quickly. The millions of unemployed who have exhausted or will soon exhaust, all their unemployment benefits should not be left wondering if income security assistance will be available in the future.

In my testimony, I make five basic points:

1. An overwhelming need for an FSC program remains.

2. An extension of the FSC program should include a 'reachback' provision; individuals who have received FSC benefits prior to September 30 should be eligible for additional benefits.

3. The formula by which FSC benefits are determined must be changed. The current formula does not adequately include the long-term unemployed.

4. Cost considerations should not prevent the enactment of a modified FSC program.

5. Comprehensive reform of the unemployment insurance system is a necessity.

THE NEED FOR THE FSC PROGRAM

The unemployment insurance system is designed to provide a cushion for Americans who have lost their jobs. In particular, the FSC program provides aid for the long-term unemployed—those who have exhausted their basic state benefits. As of August 1983, roughly 2.4 million Americans had been unemployed for 27 weeks or more. These individuals, having worked in the most troubled basic industries, often come from the areas hardest hit by the recession.

A letter I recently received from a constituent describes the situation in stark terms:

"I know there are no jobs out there to be had because I'm out every week looking for one. In one week, I went to 13 different places seeking employment and only 2 of the 13 would even take an application. If any of the people in Government power, including the President, think things are so good in the job market that unemployment benefits should be cut back, I would personally like to invite any of them to spend a day with me looking for a job. If they have any human feelings at all, by the end of the day they would be just as depressed, discouraged and disheartened as I am when I give up at the end of the day and go home.

". . . I may sound bitter or angry and I guess I am, but mostly I'm just plain scared. How am I going to provide for my wife and two children when the benefits run out? Where are we going to sleep when the landlord throws us out for being behind in our rent? Are we going to freeze this winter if we have a place to live and can't afford utilities? How am I going to look for a job when the credit union repossesses our car because I haven't been able to make a full payment since February?"

I do not think we should eliminate this individual's unemployment benefits, but that is what will happen to this individual and to millions of other individuals if the FSC program is not extended.

We should not let the current economic recovery and concurrent drop in unemployment rate obfuscate the plight of the long-term unemployed. The recovery has been both real and welcome, but it has not and will not soon provide enough jobs for the long-term unemployed.

Nearly two and one half million persons have been unemployed for more than six months and they are not going to obtain jobs overnight. A large number of long-term unemployed will remain, first, because of a historic transformation of the American manufacturing base. Many of the long-term unemployed lack the appropriate skills for today's job market. My district, the Toledo Ohio area, which is heavily dependent on the auto and glass industries, is only one example of the many areas where workers face this problem. These individuals need income support while they adjust to this transformation.

Second, the recovery simply will not produce jobs quickly enough. The latest CBO projections estimate that the unemployment rate will be at 8.9 percent at the end of this year and 8.2 percent at the end of next. This corresponds to unemployment levels of 10 million and 9.4 million.

Third, recovery will not solve the problems of the long-term unemployed because it will not affect all areas of the country evenly. The unemployment rate will remain excessively high in states and localities across the country. For example, high levels of long-term unemployment will likely remain for some years to come in states like West Virginia, Louisiana, and Tennessee where unemployment rages at 17.5, 12.8, and 11.1 percent respectively. Severe unemployment problems will also remain in Laredo, Texas and Modesto, California; areas with unemployment rates of 26.6 percent and 20.5 percent. As a representative of a district with double-digit unemployment, I can attest to the difficulties which still confront these hard hit areas.

Fourth, a continuing recovery is by no means assured. The federal deficit, high interest rates, the huge trade deficit, uneven exchange rates, and shaky international economy, all cloud a picture of a recovery long enough to solve the problems of the unemployed.

Furthermore, we cannot expect the long-term unemployed to turn elsewhere for aid. The state unemployment trust fund is severely depleted. States will owe the federal government more than $14 billion by the end of this fiscal year of funds borrowed to pay unemployment compensation. The long-term unemployed also fall through the cracks in our welfare system. Unless they sell off almost all their

assets, they do not qualify for welfare assistance. Many are therefore forced to rely on their dwindling savings and a charity system that cannot cope with the magnitude of the problem.

It bears noting that the existing FSC program does not provide a velvet cushion. FSC benefits average an income equal to 40 percent of the worker's past wage. Also, in the past six-month period, an individual could receive, at most, 14 weeks of FSC benefits. The majority of recipients received 10 weeks or less of benefits. To move to a more general picture, only 35 percent of the unemployed now receive some type of unemployment benefits. In comparison, more than three-quarters of the unemployed received unemployment compensation in 1975.

AN FSC EXTENSION SHOULD INCLUDE A REACHBACK PROVISION

The FSC bill which passed in March included a reachback provision; this allowed individuals who had received FSC benefits prior to the bill's enactment to receive additional benefits. This provision therefore allows the longest of the long-term unemployed, those who presumably need the most help, to receive benefits.

By September 30, a large number of persons will have already exhausted their FSC benefits. Exact nationwide figures are not available, but in Ohio alone some 200,000 persons will have exhausted all their benefits, while 8,500 persons will have exhausted their benefits in my District. It is these individuals who are in greatest need of additional assistance.

A possible reachback approach is incorporated in H.R. 3822, a bill I introduced in early August. This bill simply replicates the reachback approach provided under current law.

THE FORMULA BY WHICH FSC BENEFITS ARE CALCULATED SHOULD BE CHANGED

The current Insured Unemployment Rate formula does not include all persons who are receiving extended benefits, supplemental benefits, or who have exhausted all unemployment benefits. This exclusion of the longest of the long-term unemployed has the following effect. The unemployed in states where economic dislocation is greatest often do not receive the maximum available weeks of FSC benefits. The correlation between the duration of unemployment and the length of unemployment benefits is not as close as is warranted.

As examples of how inaccurately the IUR now reflects a state's unemployment picture, Michigan has the second highest unemployment rate, but its IUR is the 19th highest. Ohio has the sixth highest unemployment rate, but its IUR is 23rd highest. Finally, Tennessee has the 9th highest unemployment rate, but its IUR is 29th highest.

A bill I have introduced with Congressman Pease and 37 other cosponsors, H.R. 3573, would provide for the inclusion in the IUR formula of individuals filing claims for all types of unemployment compensation. As a result, the larger the number of long-term unemployed in a state, the more weeks of FSC benefits that could be collected. Since, however, the bill would not result in the lowering of any state's IUR, no state would receive less FSC benefits.

The IUR formula is also the basis of calculating Extended Benefits. As other witnesses will elaborate, the above arguments also suggest the need for changing the IUR formula used in the EB program. The use of an IUR trigger has perhaps even more impact on the EB program since there is no minimum level of benefits. Thus, only two states are currently eligible for EB benefits despite the extraordinarily high unemployment rate. As Senator Byrd recently remarked, this program is crying out for repair.

THE COST OF THE PROPOSALS

Including either a reachback provision or changing the way in which the IUR formula is calculated (I have also introduced a bill, H.R. 3823, which would make both these changes) would result in a larger FSC expenditure than is provided in the fiscal year 1984 Budget Resolution. Let me state at the outset that I voted for the budget resolution and I have also consistently supported efforts to keep all legislation within its limits. Nevertheless, because this is an emergency relief measure, I believe an exception should be made in this instance. Appropriate adjustments to the budget can be made elsewhere.

First, the FSC program, even if a reachback provision was provided and the IUR calculation was modified, would not be excessively generous. FSC benefits would still, on average, equal 40 percent of a recipient's past wages. Over the next 24 weeks, the maximum number of weeks of benefits a new FSC recipient could receive

would be 14. Meanwhile, those individuals who exhausted their benefits prior to October 1 would, in the next six months, receive a maximum of 10 weeks of benefits.

Second, I do not believe deficit arguments should defeat programs targeted to helping the desperate long-term unemployed. The unemployed have had to suffer long and terribly for our economic recovery, we have the responsibility to provide them with a decent level of support until they can obtain employment. Programs to aid the long-term unemployed should be our first funding priority, not our last.

Third, there are other ways to cut the deficit. We should not only raise the level of revenues as mandated by the budget resolution, we should also consider raising additional revenues through such revenue options as those suggested in recent Ways and Means hearings.

COMPREHENSIVE REFORM IS NECESSARY

The existing three-part unemployment insurance system is cumbersome, confusing, and not targeted. The continued use of short-run extensions of the FSC program is not the best solution. While I have focused my remarks on modifying and extending the FSC program because of the pending expiration date and the ongoing need, I strongly support comprehensive reform of the unemployment insurance system. I believe we now have an excellent opportunity to undertake such reform.

The comprehensive reform proposal introduced yesterday by Congressman Stark, and which has been introduced on the Senate side by Senator Byrd and Senator Heinz, is worthy of consideration. This bill, of which I am a cosponsor, would consolidate the FSC and EB programs; it would revise the trigger mechanism; and it would make a number of other necessary technical changes as well. I believe this bill should be modified slightly; for example, the transitional FSC program should include a reachback provision. On the whole, however, this bill would result in a saner and fairer unemployment insurance than we now have. I urge that the Subcommittee put this bill on a fast track so that it would become law before October 1.

An adequate unemployment insurance system is only one part of a group of policies which are needed to assist the long-term unemployed. Policies to provide overall economic growth as well as specific positive adjustment strategies are also needed. But until economic growth aids the long-term unemployed, they need help. Extending and expanding the FSC program or, preferably, comprehensive reform of the unemployment insurance system, would help provide them with necessary income support.

Chairman FORD. Thank you. The Chair would like to thank the panel of witnesses and colleagues testifying before the subcommittee today. I talked with some of the staff members and other members of the committee.

We are going to try to schedule the latter part of this week a markup session after we caucus with the other members to see whether or not we are able to report a bill out. We did have Senator Byrd and Senator Heinz to testify earlier this morning on the legislation that was introduced by Congressman Stark and Congressman Pease in the House yesterday.

All of the bills will be taken under consideration later this week in the hope that we can move right in to some markup session, whether it will just be an extension of the FSC or the reachback provision within the bill or some type of reform in this area of the extended benefits.

At this time the Chair would recognize Mr. Pease.

Mr. PEASE. Mr. Chairman, I don't have any questions at this time. I would like to compliment each of our four colleagues for their excellent testimony. It is interesting to note that all the people testifying this morning are newer and younger Members of the House and I think they are taking a leadership role in trying to provide adequate compensation for unemployed workers.

These Members, I suspect, are even closer to their constituents than some of the more veteran Members of the House. They realize

the kind of suffering that goes on in individual families when people are unemployed and exhaust their benefits.

I think the testimony has been excellent and we received some excellent ideas for the subcommittee and I again commend you.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. Mr. Chairman, I don't have any questions. I would, however, like to adopt the comments made by you and Mr. Pease in terms of the Members of the 98th class as they were the ones that had contacted many of us before the recess and requested that we move on this matter of extended benefits, as well as FSC. I appreciate their efforts very much.

Chairman FORD. I think, Mr. Matsui, it goes without saying that before the Congress recessed for the August vacation that not only the four freshman Members who are here testifying before the committee made contact with the chairman and other members of this committee to talk about the area of unemployment compensation.

The Chair recognized that. I certainly appreciate not only the testimony here today from each one of you Members, but also your contact and your communication with our office and members of this committee about expediting some legislation in this particular area.

Now, I guess it goes without saying, and Mr. Pease touched upon it. I said you are very close in keeping contact with your constituents and I take it as a message coming directly from those who are affected by the unemployment compensation by Members of Congress who are very close to the problems and the ills that your constituents are confronted with and with that I would like to thank you for testifying before the committee.

Ms. KAPTUR. Thank you, Mr. Chairman.

Mr. WISE. Thank you, sir.

Chairman FORD. The committee will call on the Honorable Don Pease from the State of Ohio, cochairperson of the unemployment insurance task force of the Northeast-Midwest Congressional Coalition, and with him is the Honorable William Clinger, Jr., also cochair of the unemployment insurance task force of the Northeast-Midwest Congressional Coalition.

At this time, the Chair will recognize Mr. Pease, who is a member of this Subcommittee on Public Assistance and Unemployment Compensation, who is a very able person on this committee, and one who has been in the forefront in the area of Federal supplemental compensation. Thank you for testifying.

STATEMENTS OF HON. DONALD J. PEASE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO, AND HON. WILLIAM F. CLINGER, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF PENNSYLVANIA, COCHAIRMEN, UNEMPLOYMENT INSURANCE TASK FORCE OF THE NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Mr. PEASE. I would point out, as you have, that Mr. Clinger and I are Cochairmen of a task force of the Northeast-Midwest Congressional Coalition studying the issues of unemployment compensation.

Mr. Clinger and I met for an hour this morning early and practiced giving our testimony in unison, and we found out that we were not as good at doing that as we would like to be, so we have settled on the alternative method of alternating paragraphs within our testimony in order to keep the testimony interesting to the committee.

We really are pleased to have the opportunity to testify before you today on behalf of the Northeast-Midwest Congressional Coalition's task force on unemployment insurance. We have the pleasure of cochairing this task force, which was created this summer.

In addition to ourselves, the task force includes Representatives Oberstar, Johnson, Davis, Dwyer, and Moody. The testimony we present to you today reflects our preliminary deliberations on the whole range of issues related to the unemployment insurance system.

The Northeast-Midwest Coalition is composed of the Members of Congress from the 18 States of the Northeast and Midwest from Maine to Maryland to Minnesota to Iowa. We represent States that have been hit particularly hard by the past three recessions, and as such, we have a special appreciation of the crisis of unemployment and the ensuing serious problems it has engendered in the unemployment compensation system.

Unemployment in the most recent recession has been severe and prolonged. This morning, the Labor Department will release State unemployment rates for July, but in June of this year the unemployment rate for the Northeast and Midwest was 11.4 percent, actually higher than the average rate for 1982 and 1.2 percentage points higher than the national average.

In addition, over one-third of the unemployed in our States had been without work for 15 weeks or more. The long-term unemployment rate in Ohio was 44 percent; in Pennsylvania it was 40 percent. During 1982, the 18 States of the Northeast and Midwest accounted for 55 percent of the long-term unemployed nationwide.

It is because of this problem of long-term unemployment that we come before you today to urge the adoption of an extension of the Federal supplemental compensation program. The Department of Labor estimates that on the final day this program is scheduled to operate, September 30, 1983, 800,000 unemployed persons will be receiving benefits under its provisions.

It is unconscionable for us to refuse continued assistance to thousands of other long-term unemployed workers and their families. We, therefore, ask you to extend this program for 6 months.

Mr. CLINGER. At the same time, we share the concern of our colleagues who have testified before you this morning.

Chairman FORD. Excuse me a minute. I am not sure that your mike is on.

Mr. Clinger, you may proceed.

Mr. CLINGER. Thank you, Mr. Chairman.

We join with our colleagues who have testified earlier in expressing our concern about those persons who have already exhausted their FSC benefits.

August figures from the Department of Labor indicate that over 6.5 million unemployed people currently are not receiving any kind of unemployment assistance. Workers who have exhausted FSC in

many cases have no other income support option than to collect welfare, further adding to the burdens of those States hit hardest by the recession.

For this reason, we would urge and join with others to urge inclusion of a reach back provision in the FSC extension, similar to that adopted in the Social Security Act amendments, that would provide some additional weeks of assistance to those who already have exhausted FSC benefits.

The subcommittee may well feel it necessary to make a tradeoff regarding the number of weeks of benefits afforded to new claimants versus the need to provide assistance to those who have exhausted their FSC benefits. This tradeoff for a reach-back provision is one we can accept.

Mr. PEASE. We think it is important to recognize that the phenomenon of widespread long-term unemployment is a national problem. Long-term unemployment in basic industries, such as steel and automobiles, verges on a crisis for our Nation's defense capability, as the skills of idle workers begin to deteriorate.

This problem, we would point out, is not confined to our own Northeast-Midwest region; it is concentrated in local substate pockets all over the country. At present, not a single State in the Northeast-Midwest is triggered on to pay extended benefits, but Louisiana is.

In short, this nationwide problem requires a Federal response. The Federal Government should work along with the States to counter the long-term unemployment problem that is damaging our people and our country.

Mr. CLINGER. Extending FSC is, admittedly, a short-term measure, and we must look to long-term, more comprehensible reforms in the system for aiding the unemployed, so that some dependability and predictability can be built in.

Current triggers for the EB program and last-minute congressional actions on FSC do not make for a reliable system of assistance. We congratulate Representative Stark and Senators Byrd and Heinz and their cosponsors for their vision and boldness in proposing a comprehensive overhaul of the EB-FSC programs that would move us far toward rationalizing the funding and nature of a program for the long-term unemployed.

We think this proposal deserves serious consideration, as do other proposals for long-term reform that may be developed. Once we have passed an FSC extension in time for the September 30 deadline, we must not let the momentum for true reform die, which is essential.

We urge the subcommittee to hold hearings as soon as possible on overhaul of the EB-FSC system and to report out a thoughtful and permanent program to replace the existing crisis and chaos. We pledge the support of the Northeast-Midwest congressional coalition's task force on unemployment insurance to your efforts in this regard.

Mr. PEASE. Meanwhile, the subcommittee could address some of the existing problems with the EB program relating to how and why States trigger on and off. Important changes in the EB program could be adopted without delay.

One of these is to resume the former practice of counting EB recipients in the insured employment rate. The perverse effect of not counting them is that States trigger off extended benefits as long-term unemployment becomes more prevalent and more and more people move from the regular State program into the EB program.

In other words, because of this counting idiosyncracy, as the long-term unemployment problem worsens, the chance for a State to trigger onto or stay on EB is diminished. This situation could be corrected immediately. In addition, the subcommittee could consider including FSC recipients in the count of the insured unemployed.

Mr. CLINGER. A variety of optional or alternative triggers for the EB program have been suggested, including allowing States to use either the total unemployment rate or a UI exhaustion rate. These proposals deserve serious study by the subcommittee to determine what kinds of measures most accurately reflect economic distress.

Another suggestion aimed at greater targeting on economic need is to use substate triggers for the EB program. Substate triggers would have to operate along predefined geographic lines, and would require more accurate unemployment data then we presently have to be credible.

Obviously, States would need some minimal amount of money for this purpose. We urge the subcommittee to study and publish a report on the various suggestions for triggers and the dollars required to make them feasible.

Another anomaly in the EB program is the requirement that unemployment be 120 percent of the rate in the same month of the previous 2 years to trigger on or stay on EB. This means that States with a high plateau of unemployment during a long recession can easily trigger off the program. This has certainly been the case with many of the States in the Northeast-Midwest coalition.

The subcommittee should look into this situation with an eye toward eliminating the 120-percent requirement.

Let us repeat that these kinds of measures, while desirable, must not be allowed to substitute for serious long-term reform of the EB-FSC system.

Finally, we would be remiss if we failed to mention the tremendous burden on the financing mechanism for the unemployment compensation system resulting from waves of recessions in the past 8 years, a burden that has been distributed unevenly and has hurt most those States most deeply affected by high and prolonged unemployment.

Mr. PEASE. The three recessions of the past 8 years came too close together for State unemployment insurance trust funds to build up adequate reserves during the recoveries. As a result, a majority of States have been forced to borrow from the U.S. Treasury to pay unemployment claims.

By the end of this fiscal year, States will owe the Federal Government more than $14 billion in principal and more than $470 million in interest on money borrowed. Fourteen of the 30 States owing money are in the Northeast-Midwest region, and together they account for 87 percent of the total debt and 98 percent of the interest charged in 1982.

New borrowing by States in the region is expected to amount to $6.7 billion in 1983, in spite of the fact that States have gone to great lengths to improve the solvency of their systems, by increasing employer taxes, as our own States of Ohio and Pennsylvania have done; reducing benefits, as Ohio has done; and in a few cases even imposing employee contributions to the UI trust funds, as Pennsylvania has done.

Please understand how difficult such moves are when unemployment is high, and States face the prospect of industries deciding to move out of State, as a result of employment-based taxes. We must recognize the fact that it is not fiscal irresponsibility but the recent deep recession that has been the main contributor to the debt problem in high-unemployment States.

The Social Security Act Amendments of 1983 offer some relief to States that act to improve the solvency of their trust funds. However, we believe that Congress should consider longer term solutions to avoid a recurrence of this kind of crisis.

Mr. CLINGER. The Northeast-Midwest Coalition's Task Force has developed a number of options regarding the debt issue that this subcommittee could consider as it seeks to improve the unemployment compensation system.

While we are not yet ready to endorse any of these ideas in particular, we do feel that they are worthy of study by this subcommittee, and they are:

Develop a debt repayment schedule that is more sensitive to State economic conditions. For example, an independent agency could negotiate with each State a repayment schedule that would be flexible and responsive to the State's efforts and needs.

Mr. PEASE. Give States a grace period during which they would not have to make any interest payments. In 1981 the economic recovery was projected to begin in 1982, and April 1982 was set as the date for States to begin accruing interest on new trust fund debts.

Instead, the recovery began in 1983, with 15 States still at or above unemployment rates of 10 percent in June. Another option simply would delay imposition of interest until a State's unemployment rate drops to prerecession levels.

Mr. CLINGER. Another suggestion would be to amend the EB program to provide for a sliding scale of Federal financial participation, with the Federal share rising as the unemployment rate in a State rises.

Currently, the Federal Government pays 50 percent of EB costs. This has the effect of driving up State spending from its trust fund as unemployment in the State rises. A sliding scale for the Federal share of EB would alleviate this problem.

This, in part, is the thrust of the proposals by Representative Stark and Senators Byrd and Heinz.

Mr. PEASE. Yet another idea would be to apply the proceeds of the penalty tax in each State to its interest-bearing debt. Currently, the money goes to repay the State's interest-free debt. In 1983, the penalty tax will provide about $600 million in revenue.

Mr. CLINGER. The subcommittee might also consider increasing the taxable wage base for the Federal tax from the current first

$7,000 of wages to a level closer to the average wage in covered employment.

The goal of such a measure would be to make the whole system self-contained and eliminate the need for loans from Federal general revenue. Loan funds instead would be system generated.

Mr. PEASE. Or the committee could look at the fact that $5.8 billion of debt is owed by the Federal Government to itself for the Federal supplemental benefits program of the mid-1970's.

This program of extra benefits was paid entirely by the Federal Government, and funds for it eventually came from the Federal general fund, but the initial funding was considered a loan. Employers in every State have been paying a tax of 0.2 percent of wages to repay this debt.

Mr. CLINGER. We ask that the subcommittee give consideration to these various suggestions, and again in the context of thinking through a comprehensive reform of the UI system within the practical boundaries of fiscal responsibility.

We thank you, Mr. Chairman and members of the subcommittee, for your attention to our suggestions and would be pleased to answer any questions you may have.

[The prepared statement follows:]

STATEMENT OF HON. DONALD J. PEASE AND HON. WILLIAM F. CLINGER, JR., COCHAIRS, TASK FORCE ON UNEMPLOYMENT INSURANCE

Mr. Chairman and members of the Subcommittee, we are pleased to have the opportunity to testify before you today on behalf of the Northeast-Midwest Congressional Coalition's Task Force on Unemployment Insurance. We have the pleasure of co-chairing this Task Force, which was created this summer; in addition to ourselves, the Task Force includes Representatives Oberstar, Johnson, Davis, Dwyer, and Moody. The testimony we present to you today reflects our preliminary deliberations on the whole range of issues related to the unemployment insurance system.

The Northeast-Midwest Coalition is composed of the members of Congress from the 18 states of the Northeast and Midwest from Maine to Maryland to Minnesota and Iowa. We represent states that have been hit particularly hard by the past three recessions, and as such we have a special appreciation of the crisis of unemployment and the ensuing serious problems it has engendered in the unemployment compensation system.

Unemployment in the most recent recession has been severe and prolonged. This morning, the Labor Department will release state unemployment rates for July, but in June of this year the unemployment rate for the Northeast and Midwest was 11.4 percent, actually higher than the average rate for 1982 and 1.2 percentage points higher than the national average. In addition, over one-third of the unemployed in our states had been without work for 15 weeks or more. The long-term unemployment rate in Ohio was 44 percent; in Pennsylvania it was 40 percent. During 1982, the 18 states of the Northeast and Midwest accounted for 55 percent of the long-term unemployed nationwide.

It is because of this problem of long-term unemployment that we come before you today to urge the adoption of an extension of the Federal Supplemental Compensation (FSC) program. The Department of Labor estimates that on the final day this program is scheduled to operate—September 30, 1983—800,000 unemployed persons will be receiving benefits under its provisions. It is unconscionable for us to refuse continued assistance to thousands of other long-term unemployed workers and their families. We therefore ask you to extend this program for six months.

At the same time, we are very concerned about those persons who already have exhausted their FSC benefits. August figures from the Department of Labor indicate that over six and one-half million unemployed people currently are not receiving any kind of unemployment assistance. Workers who have exhausted FSC in many cases have no other income support option than to collect welfare, further adding to the burdens of those states hit hardest by the recession.

For this reason, we would urge inclusion of a "reach-back" provision in the FSC extension, similar to that adopted in the Social Security Act Amendments, that would provide some additional weeks of assistance to those who already have exhausted FSC benefits. The Subcommittee may well feel it necessary to make a trade-off regarding the number of weeks of benefits afforded to new claimants versus the need to provide assistance to those who have exhausted their FSC benefits. This trade-off for a reach-back provision is one we can accept.

We think it is important to recognize that the phenomenon of widespread long-term unemployment is a national problem. Long-term unemployment in basic industries, such as steel and automobiles, verges on a crisis for our nation's defense capacity, as the skills of idle workers begin to deteriorate. This problem, we would point out, is not confined to our own Northeast-Midwest region; it is concentrated in local substate pockets all over the country. At present, not a single state in the Northeat-Midwest is triggered on to pay extended benefits (EB), but Louisiana is. In short, this nationwide problem requires a federal response. The federal government should work along with the states to counter the long-term unemployment problem that is damaging our people and our country.

Extending FSC is, admittedly, a short-term measure, and we must look to long-term, more comprehensive reforms in the system for aiding the unemployed, so that some dependability and predictability can be built in. Current triggers for the EB program and last-minute congressional actions on FSC do not make for a reliable system of assistance. We congratulate Representative Stark and Senators Byrd and Heinz and their co-sponsors for their vision and boldness in proposing a comprehensive overhaul of the EB-FSC programs that would move us far toward rationalizing the funding and nature of a program for the long-term unemployed. We think this proposal deserves serious consideration, as do other proposals for long-term reform that may be developed. Once we have passed an FSC extension in time for the September 30 deadline, we must not let the momentum for true reform die.

We urge the Subcommittee to hold hearings as soon as possible on overhaul of the EB-FSC system and to report out a thoughtful and permanent program to replace the existing crisis and chaos. We pledge the support of the Northeast-Midwest Congressional Coalition's Task Force on Unemployment Insurance to your efforts in this regard.

Meanwhile, the Subcommittee could address some of the existing problems with the EB program relating to how and why states trigger on and off Important changes in the EB program could be adopted without delay. One of these is to resume the former practice of counting EB recipients in the insured unemployment rate (IUR). The perverse effect of not counting them is that states trigger off extended benefits as long-term unemployment becomes more prevalent and more and more people move from the regular state program into the EB program. In other words, because of this counting idiosyncrasy, as the long-term unemployment problem worsens, the chance for a state to trigger onto or stay on EB is diminished. This situation could be corrected immediately. In addition, the Subcommittee could consider including FSC recipients in the count of the insured unemployed.

A variety of optional or alternative triggers for the EB program have been suggested, including allowing states to use either the total unemployment rate (TUR) or a UI exhaustion rate. These proposals deserve serious study by the Subcommittee to determine what kinds of measures most accurately reflect economic distress. Another suggestion aimed at greater targeting on economic need is to use substate triggers for the EP program. Substate triggers would have to operate along pre-defined geographic lines, and would require more accurate unemployment data to be believable. Obviously, states would need some minimal amount of money for this purpose. We urge the Subcommittee to study and publish a report on the various suggestions for triggers and the dollars required to make them feasible.

Another anomaly in the EB program is the requirement that unemployment be 120 percent of the rate in the same month of the previous two years to trigger on or stay on EB. This means that states with a high plateau of unemployment during a long recession can easily trigger off the program. The Subcommittee should look into this situation with an eye toward eliminating the 120 percent requirement.

Let us repeat that these kinds of measures, while desirable, must not be allowed to substitute for serious long-term reform of the EB-FSC system.

Finally, we would be remiss if we failed to mention the tremendous burden on the financing mechanism for the unemployment compensation system resulting from waves of recessions in the past eight years, a burden that has been distributed unevenly and has hurt most those states most deeply affected by high and prolonged unemployment.

The three recessions of the past eight years came too close together for state unemployment insurance trust funds to build up adequate reserves during the recoveries. As a result, a majority of states have been forced to borrow from the U.S. Treasury to pay unemployment claims. By the end of this fiscal year, states will owe the federal government more than $14 billion in principal and more than $470 million in interest on money borrowed. Fourteen of the 30 states owing money are in the Northeast-Midwest region, and together they account for 87 percent of the total debt and 98 percent of the interest charged in 1982. New borrowing by states in the region is expected to amount to $6.7 billion in 1983—in spite of the fact that states have gone to great lengths to improve the solvency of their systems, by increasing employer taxes (as our own states of Ohio and Pennsylvania have done); reducing benefits (as Ohio has done); and in a few cases even imposing employee contributions to the UI trust funds (as Pennsylvania has done). Please understand how difficult such moves are when unemployment is high and states face the prospect of industries deciding to move out of state as a result of employment-based taxes. We must recognize the fact that it is not fiscal irresponsibility but the recent deep recession that has been the main contributor to the debt problem in high-unemployment states.

The Social Security Act Amendments of 1983 offer some relief to states that act to improve the solvency of their trust funds. However, we believe that Congress should consider longer-term solutions to avoid a recurrence of this kind of crisis.

The Northeast-Midwest Coalition's Task Force has developed a number of options regarding the debt issue that this Subcommittee could consider as it seeks to improve the unemployment compensation system. While we are not yet ready to endorse any of these ideas in particular, we do feel that they are worthy of study. They are:

Develop a debt repayment schedule that is more sensitive to state economic conditions. For example, an independent agency could negotiate with each state a repayment schedule that would be flexible and responsive to the state's efforts and needs;

Give states a "grace" period during which they would not have to make any interest payments. In 1981, the economic recovery was projected to begin in 1982, and April 1982 was set as the date for states to begin accruing interest on new trust fund debts. Instead, the recovery began in 1983, with 15 states still at or above unemployment rates of 10 percent in June. Another option simply would delay imposition of interest until a state's unemployment rate drops to pre-recession levels;

Amend the EB program to provide for a sliding scale of federal financial participation, with the federal share rising as the unemployment rate in a state rises. Currently, the federal government pays 50 percent of EB costs. This has the effect of driving up state spending from its trust fund as unemployment in the state rises. A sliding scale for the federal share of EB would alleviate this problem. This, in part, is the thrust of the proposals by Representative Stark and Senators Byrd and Heinz;

Apply the proceeds of the penalty tax in each state to its interest-bearing debt. Currently, the money goes to repay the state's interest-free debt. In 1983, the penalty tax will provide about $600 million in revenue;

Increase the taxable wage base for the federal tax from the current first $7,000 of wages to a level closer to the average wage in covered employment. The goal of such a measure would be to make the whole system self-contained and eliminate the need for loans from federal general revenue. Loan funds instead would be system-generated; and

Reconsider the $5.8 billion debt owed by the federal government to itself for the Federal Supplemental Benefits program of the mid-1970s. This program of extra benefits was paid entirely by the federal government, and funds for it eventually came from the federal general fund, but the initial funding was considered a loan. Employers in every state have been paying a tax of 0.2 percent of wages to repay this debt.

We ask that the Subcommittee give consideration to these various suggestions, again in the context of thinking through a comprehensive reform of the UI system within the practical boundaries of fiscal responsibility.

We thank you, Mr. Chairman and members of the Subcommittee, for your attention to our suggestions and would be pleased to answer any questions you may have.

Chairman FORD. At this time, the committee will recognize Mr. Oberstar.

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA, AND CO-CHAIRMAN, NORTHEAST-MIDWEST CONGRESSIONAL COALITION

Mr. OBERSTAR. Thank you, Mr. Chairman.

As cochairmen of the Northeast-Midwest Coalition, Congressman Frank Horton of New York and I appointed the task force chaired by Congressmen Pease and Clinger. The task force has spent the last 8 weeks working with the coalition staff and representatives of the Governors in the region and reviewing the problem that they have just described.

The paper that has been presented to the subcommittee is the result of a thoughtful, intense effort by both colleagues Pease and Clinger, the staff, and the Governors of the region. It represents the collective wisdom that has been tested against people in the States, both in the private and public sector, and involving labor as well.

I would like to add an urgent plea on behalf of the unemployed from throughout the region, and particularly those in my own congressional district, that this committee act as promptly as possible, which is obviously signaled for the fact that you are holding these hearings today.

The unemployment continues and more layoffs have occurred just in the last week in my congressional district in northern Minnesota, in the iron ore mining country.

The largest iron ore processing plant, Minntac, has typically employed on a regular annual basis some 4,200 people. 4,000 are going to be laid off by the end of this week; 2,400 at that one plant have already exhausted their unemployment benefits; 1,600 were newly laid off on Saturday, and 300 of those people will not even be eligible for unemployment compensation benefits because they have not worked long enough since the last layoff to qualify.

In the iron ore mining country in northern Minnesota, we have 5,800 people who will not be eligible for unemployment compensation benefits, unless Congress acts. The damage is not just to those people and their families but to their small communities. The largest is 19,000, and most of them are in the range of 4 to 5,000 people.

Retail businesses, grocery stores, clinics, hospitals, all are dependent on iron ore mining. It has only been the income from unemployment comp and from the sporadic operation of plants, started up and run for 3 or 4 weeks and then shut down, which has kept this area afloat.

I want to make a plea for you to press forward with the notion of substate triggers to which I have addressed myself on previous occasions.

I know that it can't be implemented overnight. The Labor Department ought to be prodded vigorously by this committee to complete the study the committee has once asked for, give you information, how that concept can be implemented, it can be done, and I have seen reports on how it can be done, and I think it will be a money-saving thing if it were done.

It will target assistance to those areas that have the most severe distress and are the most needy of help.

We thank you and again, I urge the committee to give the proposals of the task force your fullest consideration and they spring from very earnest deliberation and thoughtful effort on the part of our entire task force.

[The prepared statement follows:]

STATEMENT OF HON. JAMES L. OBERSTAR, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MINNESOTA

Mr. Chairman, Members of the Subcommittee, I applaud the Subcommittee for the scope of today's hearing. The agenda includes not only the critical issue of extending the temporary Federal Supplemental Compensation program beyond September 30, but also the long-term issues involved in restructuring the permanent federal unemployment compensation program. The potential revisions include changes in the trigger mechanism for the Extended Benefits program and in the computation of the insured unemployment rate.

Because of the imminent September 30 deadline for extension of the FSC program, Congress may need to resolve these issues in a two-step process: (1) the immediate extension of FSC benefits; and, (2) a long-term solution to provide for a more effective and more rational, permanent extended benefits program. If we cannot include the long term changes in the emergency FSC extension, we must act as expeditiously as possible this fall to enact separate legislation making such changes. There's tremendous interest in the House and among the States right now in making the needed changes. It would be very unfortunate if we lost the opportunity to improve the use of limited federal unemployment compensation funds to assist workers who have exhausted basic unemployment benefits.

We must act this week to insure the continuation of FSC benefits beyond September 30. Unemployed workers in only two states now qualify for the Extended Benefits program. The FSC program is the only available form of additional unemployment compensation available to workers in 48 states who have exhausted their basic state benefits.

The Omnibus Reconciliation Act of 1981 made drastic changes in the federal unemployment compensation program which virtually gutted it. Within weeks of enactment of the Reconciliation Act, unemployment began to rise, ultimately reaching a post-World War II record. A year ago, Congress responded by creating the FSC program. We provided additional weeks of benefits in an amendment to the Surface Transportation Act of 1982. In March, we extended the program beyond the initial expiration date of March 31, 1983, provided additional benefits for workers who had exhausted benefits, and changed the means of determining the number of weeks of benefits for new recipients in a particular state.

In August, the House passed legislation which would have limited the number of weeks of benefits which a state could lose as the result of a decline in the insured unemployment rate since March 31. Regrettably, the Senate amended this bill, sharply reducing the number of states benefiting from the bill's protection. My home State of Minnesota was one of the unfortunate states which lost as the result of the Senate amendment.

The immediate question is the nature of the FSC extension. When we passed the extension in March, Congress recognized the different needs of several categories of the unemployed: (1) those who would become eligible for FSC benefits after September 30; (2) those who have exhausted or will exhaust FSC benefits prior to September 30; and, (3) those who receive less than their full entitlement of benefits before September 30.

A six-month extension of FSC program would benefit only those workers in the first and the third categories.

Extension alone will not benefit workers in the second category, those who have suffered the most in this recession, those who live in parts of the country where economic recovery is a hope, an unfulfilled promise.

My bill, H.R. 233, would provide an additional 10 weeks of benefits under FSC to eligible workers. It was a simplified approach that eliminated the complex, confusing multi-tiered system of benefit numbers based on insured unemployment rates. The justification for providing the same number of weeks in all states is that after two years of a national recession, an individual's unemployment is more likely the consequence of national economic conditions than economic conditions within the state.

Many of our colleagues share my support for a bill that addresses fully the needs of unemployed Americans. We all recognize that such legislation would face certain veto, if we could even persuade both the House and Senate to pass it. At this point, Congress is going to be able to approve legislation that only solves part of the problem. Millions of unemployed will be left without benefits—if not at the beginning of the extension, certainly later during the period. That situation already exists. Last month, only thirty-five percent of unemployed Americans received benefits.

During the week of August 20, nearly 60 percent, over 7,000, of the 12,000 FSC recipients in Minnesota exhausted FSC benefits. Exhaustions for the month of August will total between 12,000 and 13,000. New claims are averaging only 1,200 per week.

In structuring unemployment benefits beyond September 30, the Subcommittee should give priority to those workers who, having been unemployed the longest and having borne the heaviest burden of the recession, face a very bleak winter ahead. Given the limited funding available, we must use the funds to provide reach-back for long-term unemployed persons who will have exhausted FSC benefits by September 30. Extension without reach back will cut these people off from all unemployment benefits.

The alternative of providing only for reach back and allowing no new FSC claimants after September 30 would enable us in effect to target the limited resources to those most impacted by the recession. Such an approach, however, would be politically difficult to pass and would raise the concern that we are helping only those who have already benefitted from FSC.

When the FSC program expires, either on September 30, or at the end of any extension period approved this month, we will be left with a grossly inadequate federal Extended Benefits Program. The past several months have indicated the gross deficiencies of the program. Unemployment has remained at near record levels. Virtually every state is now "triggered off" EB. The IUR calculation and the use of the IUR as the exclusive trigger make the present mechanism completely inadequate during periods of prolonged unemployment. The longer the recession, the lower the IUR. Theoretically, the whole population could be unemployed and receiving FSC benefits, and the IUR would be zero. Several of the bills before the Subcommittee, including my own bill would restore state trigger to their pre-Reconciliation Act levels and change the calculation of the insured unemployment rate to include those receiving benefits other than basic state benefits. These provisions represent an attempt to make the existing EB trigger mechanism work. The experience of the past several months indicates that even with these changes, the IUR alone may not be effective for triggering the permanent EB program, particularly during long recessions. The original ratinale for the use of the IUR was sound. Congress intended the EB program to supplement state benefits during times of sharp increases in job losses among those only recently unemployed. During short cycles of high unemployment, it worked. It has not worked during the past two years.

As a minimum, Congress should: (1) consider using the Total Unemployment Rate as an alternative to the IUR; (2) provide the funds necessary to insure greater accuracy of these figures, particularly in smaller states; and, (3) make the IUR a more realistic assessment of insured unemployment by including, as was done prior to 1981, EB recipients.

Finally, I wish to reiterate my conviction that we must provide for the use of substate trigger to reflect the economic disparities which can exist within a State. I mentioned this concern in my testimony before the Subcommittee earlier this year. The present system does not address the problem of pockets of high unemployment within states with relatively low IUR's.

H.R. 233 would establish substate areas using economic areas developed by the Department of Commerce's Bureau of Economic Analysis. These designations already exist, and thus, would not be subject to gerrymandering. These areas are fairly large—there are only 183 of them in the country. The establishment of substate trigger will take time. We probably cannot have them in place before the current recession ends—at least, by when I hope this recession ends. Unless we move now to lay the groundwork for sub-state triggers, however, we may never establish them. If the Subcommittee believes it cannot authorize the use of sub-state triggers at the present time, I ask that you take two steps:

1. Direct the Department of Labor to develop the stastical methodology to develop a workable substate program; and

2. Provide the Department with the funds to complete that task within a reasonable and specified period of time. These actions would be a minimum.

The present federal unemployment compensation program needs major changes. The Reconciliation Act of 1981 made the permanent Extended Benefits Program in-

adequate and unresponsive to the demands of the prolonged recession. The FSC program has been an emergency, stop-gap measure—as effective as possible in the short-term. I urge the Subcommittee to approve legislation extending the program for a final six months and providing for changes in the permanent program which will insure Extended Benefits to workers in high unemployment states and in areas of very high unemployment within states not otherwise eligible for EB.

Chairman FORD. Thank you, Mr. Oberstar.

The Chair did indicate prior to your coming, the Chair indicated prior to this panel, that it was the committee's intention to move into a markup session the last part of this week, and hopefully we can do it on Thursday of this week.

We will caucus with the committee members and the leadership and hopefully we will have a time set for Thursday for a markup session relating to which of the proposals will be coming from the subcommittee.

That is difficult to say right now, but once again, the Chair would like to thank you for your appearance and your testimony today, and also in the past, and in the last extension of the bill, as well as the reach-back provision within that bill, and I would also like to thank the cochairpersons also for testifying, Mr. Pease, who is a member of the committee, and also Mr. Clinger.

I would like to go back over the testimony.

Mr. Pease, did you address the reachback provision in the coalition's task force, the number of options regarding the debt issue?

Mr. PEASE. I think we specifically recommended a reachback. Mr. Clinger and I would like to have the committee, on behalf of the coalition, look at a reachback as a possible option.

Chairman FORD. I am looking at different options, and I was trying to keep up with you on the options, and I wondered whether you have an option that would be in lieu of a reachback. Did the coalition address that issue at all?

Mr. Pease.

Mr. PEASE. No, I think what you are encountering is an omission on the part of our testimony. We did not think in terms of an alternative to a reachback. In terms of the short timespan that we have, a reachback is the best way of dealing with the problem in the short run.

Mr. CLINGER. Mr. Chairman, we do indicate that we would favor a reach-back, and we did indicate in our testimony that there might be a need for a trade-off regarding the number of weeks of benefits afforded the new claimaints versus the needs to provide assistance to those who have exhausted their FSC benefits.

In other words, we suggested that the committee might consider a trade-off or a balancing of those, of new claimants against claimants who were going to be removed from the rolls as a possible way to make a reachback cost effective.

Chairman FORD. What about the grace period that you talk about? Are we going back and making—are you recommending retroactive for the grace period for the borrowing from the trust fund? You said you give States a grace period on which they would not have to make any interest payments?

Mr. CLINGER. We are not advocating any forgiveness of the debts that are owed, but we do recognize that in many States, their situations are very critical and it imposes a tremendous burden on

them, at the present the way the penalties are accruing and so forth, and we thought that consideration could be given to at least allowing some relief for that for short periods of time in order to allow States to get their house in order.

Chairman FORD. You are not dealing with the forgiveness.

Mr. CLINGER. Neither Mr. Pease nor I are advocating forgiveness.

Mr. OBERSTAR. Mr. Chairman, it was the general consensus among the members of the coalition that we are not advocating a forgiveness feature, but rather, attempting to recognize through this grace period approach the ability to pay, and the varying severity of the recession as it has affected the older industrialized regions of the country, and that is why we have recommended a grace period rather than a forgiveness.

Mr. CLINGER. Mr. Chairman, we had in mind the sort of procedures that are used by the IMF in negotiating, in allowing a little more flexibility in terms of negotiating individual packages with individual States meeting their particular circumstances.

We think that that might be a model which could be adopted in terms of renegotiating repayments for the individual State.

Chairman FORD. Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Regarding the grace period, you talk about some delay until the State's unemployment rate drops to prerecession levels. What type of level are you talking about? You are not specific about it.

Mr. OBERSTAR. The recession that is by most economists estimated to have begun in June 1981, that is when we had 3 consecutive months of economic decline, so it would be roughly that period of time, March, April, May, June, July 1981, that timeframe.

Mr. CAMPBELL. Nationwide, regional or what? State-by-State, regional figure, nationwide figure, or exactly what?

Mr. OBERSTAR. In this case, we are looking at a State-by-State, or case-by-case analysis.

Mr. CAMPBELL. Let me first concur with the chairman. I know my colleague from Ohio as well as members on both sides of the aisle will expedite the legislation. There is no question about it, but it is a matter of the form that it takes.

I have some concerns. Some of your proposals obviously are long term. Correct me if I am wrong, but I do not hear you asking for any changes now because of the possibility of delay?

Mr. PEASE. That is correct, Mr. Campbell. Now we are asking for an extension of the FSC program and for consideration of possible changes in the EB trigger, something that can be easily accomplished in the short run, and then consideration beyond that of the more comprehensive changes in the system.

Mr. CAMPBELL. I have two considerations. First, I want to make sure that we do extend the program as quickly as possible for whatever length of time we may agree to extend it. Perhaps it ought to be longer than 6 months, so we can avoid this 6-month crisis environment.

The other consideration that I have in looking at it is the cost. If we consider a reachback or a change in extended benefits trigger, how do you address that? For instance, if we changed the trigger for a 6-week reachback, what would the cost be?

Mr. PEASE. Mr. Campbell, this task force has not been in business long enough, only about 8 weeks, for us to develop any kind of detailed cost estimates.

As you know, from your experience on this subcommittee, there are extreme variations in cost, depending on the number of weeks, whether there is a reachback or not, what the EB trigger is and so on, so since we are essentially suggesting a wide range of options for consideration, we have not had the staff time to cost out each one of those for the subcommittee.

Mr. CAMPBELL. I can well understand that. I was trying to get a better idea of what we were dealing with. I commend you on the work that you have done. You have done an outstanding job.

As I look at it, I don't believe that as we seek an immediate extension, you are going to be able to pursue other changes. You will have to pursue other changes separately. I think that is what you have in mind, and I thank you for your testimony.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. No questions.

Chairman FORD. The committee would like to thank the three members of the panel, and also our colleagues for testifying before the subcommittee today.

Once again, I will state that the subcommittee will move swiftly this week.

Mr. OBERSTAR. Thank you for your efforts to move this legislation speedily along. That is the best news we have heard in a long time.

Chairman FORD. The FSC will expire on the 30th of September, so we will have to move to try to expedite it as soon as possible. I thank you for your testimony, and the able assistance that I have received as the chairman of this subcommittee. Thank you again.

Mr. CAMPBELL. Mr. Chairman, could I ask unanimous consent to insert in the record some opening remarks?

Chairman FORD. Your statement will be made part of the record, Mr. Campbell.

[The prepared statement follows:]

STATEMENT OF HON. CARROLL A. CAMPBELL, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF SOUTH CAROLINA

Mr. Chairman, I welcome today's hearing for the opportunity to review the Federal Supplemental Compensation program.

The economic recession and unusually high unemployment rates which existed last year led Congress to activate the FSC program. In March we extended the initial program for six months because employment gains were lagging the emerging recovery. The program is scheduled to expire after September 30.

Today, a year after the FSC program began, the economy is well into its recovery. This demonstrates the effectiveness of the President's program in promoting economic growth. While the unemployment rate has fallen steadily from its peak 10.4 percent, it still remains at a relatively high level of 9.5 percent. Employment will continue to improve but we may not see the rapid, dramatic improvements which we saw this summer.

But in evaluating the FSC program we must look beyond the nominal unemployment rate. The FSC program is intended to assist the long-term unemployed person. Therefore it is useful to examine the duration of unemployment. Since June, the number of persons unemployed for more than 6 months has decreased by 500,000. Despite this progress almost 2.5 million persons have been unemployed for more than 26 weeks.

These facts, together with the triggering-off of the extended benefits program in many states, make an extension of the FSC program a priority issue. The First Con-

current Budget Resolution earmarked $1.5 billion for a potential six month extension.

Mr. Chairman, the path of least resistance would be to pass a simple six month extension of the current program. But I believe we should be open to addressing the situation of the long-term unemployed on a long-term basis. The short-term nature of the current FSC program makes it difficult on the states as well as on the long-term unemployed.

Finally, I welcome the testimony on changes in the extended benefits program. One concern I have though is that we do not delay action on an FSC extension because of prolonged debate on the complex details of changing the E.B. program. Hasty changes in such a complicated program may generate as many problems as they seek to cure.

Chairman FORD. At this time, the committee will call on the U.S. Department of Labor, Mr. Daniel K. Benjamin, Acting Assistant Secretary for Policy.

Mr. Benjamin, welcome to the committee. I was back home in my home District in Memphis, Tenn. and the Secretary had called me once or twice and I returned his call, he wanted to discuss the matter, and I am sure I will be talking with him personally later this afternoon.

I did want you to know and the staff to know that I knew he was in contact with the subcommittee staff and he phoned me in my home district, but I was out at the time.

STATEMENT OF DANIEL K. BENJAMIN, ACTING ASSISTANT SECRETARY FOR POLICY, U.S. DEPARTMENT OF LABOR, ACCOMPANIED BY CAROLYN GOLDING, ADMINISTRATOR, UNEMPLOYMENT INSURANCE SERVICE; AND JAMES VAN ERDEN, SUPERVISORY ACTUARY

Mr. BENJAMIN. I appreciate that.

Sir, I would like to submit my written statement for the record with your permission.

Chairman FORD. It will be made a part of the record, sir.

Mr. BENJAMIN. I will summarize the major points of that statement.

Chairman FORD. You may proceed.

Mr. BENJAMIN. Secretary Donovan regrets that he is unable to be here today. He has asked me to represent him, and I am delighted to have that opportunity. I am joined by Carolyn Golding and Jim Van Erden, both of the Unemployment Insurance Service.

The focus of today's hearing is a variety of legislative proposals to modify or extend the unemployment insurance system. It is appropriate to briefly review the economic progress of this year. When FSC was enacted, the unemployment rate was 9.8 percent and rising. It peaked at 10.8 percent in December.

Since then, there has been substantial economic growth, a lowering of inflation and reductions in the unemployment rate. The administration is optimistic that these gains will continue. Nevertheless, the administration also recognizes that unemployment is one of the most serious problems we face.

Despite the gains we have made in the past 9 months, there still remain over 10 million individuals unemployed, 2.4 million of whom have been unemployed more than 6 months.

It is also clear from past recessions that today's high unemployment is likely to persist for much of the early stages of the recovery.

The administration feels strongly that the burden of unemployment must not be borne solely by those who are unable to find work. We also recognize, however, that we must balance the help we give these people against policies that foster economic recovery.

The only way to accomplish continuing declines in the unemployment rate is through a strong economic recovery. The administration believes that the appropriate way to address unemployment over the coming months is through an extension of a modified FSC program and not through changes in the extended benefit program.

It is inappropriate to address short-term problems with changes in a permanent program, such as EB. The administration strongly opposes any changes in the extended benefit program. It is our understanding that legislation changing EB would not be approved by the President.

Instead, the administration is proposing to modify the Federal supplemental compensation program and extend it for 18 months. This 18-month extension from October 1, 1983 to March 31, 1985, would recognize that unemployment is likely to remain high during this period. We believe that it is inappropriate to have successive 6-month extensions over this period because this creates unnecessary and undue uncertainty for the unemployed and creates problems in the determination of benefits. Moreover, it makes the program extremely difficult to administer. Our proposed 18-month extension of FSC eliminates these problems and permits Congress to address the full costs of the program.

We would also propose a change from the current four-tier program to a new three-tier program. Specifically, we would propose that in those States where the insured unemployment rate is less than 4 percent, there be 6 weeks of benefits under FSC. In those States with 4 to but less than 5 percent, 8 weeks of benefits; and in those States with insured unemployment rates of 5 percent or more, there would be 10 weeks of FSC benefits.

This, as you recognize, is a change in the number of tiers and the number of weeks from the current program. The minimum of 6 weeks and maximum of 10 weeks is the same as in the original FSC bill passed a year ago. At that time, the unemployment rate was 9.8 percent, and rising. It is now 9.5 percent and falling. We believe that it is time to return to a 6-8-10 program. The administration would not accept FSC legislation that increased the number of weeks of FSC for those now drawing benefits or for FSC exhaustees. We believe that this 18-month extension is both fair and fiscally responsible. It provides needed financial assistance for those not sharing the fruits of the economic recovery. Nevertheless, the declining unemployment rate over the coming months permits changes in both the number of tiers and the duration of benefits. The cost of this proposal would be $3.3 billion over the next 18 months, $1 billion of which would come in the next 6 months, and $2.3 billion over the ensuing 12 months. On a fiscal year basis this represents $2.2 billion in fiscal 1984, and $1.1 billion in fiscal 1985.

We would also urge Congress to consider those portions of the Employment Act of 1983 (H.R. 2149) not yet enacted, particularly

the voucher program and the youth opportunity wage. Both of these proposals would increase employment and reduce unemployment.

In closing I would like to reiterate our concern for the unemployed but also express our optimism about the course of the future recovery.

Thank you. I and my colleagues will be happy to answer any questions you might have.

[The prepared statement follows:]

STATEMENT OF DANIEL K. BENJAMIN, ACTING ASSISTANT SECRETARY OF LABOR

Mr. Chairman and Members of the Subcommittee, Secretary Donovan regrets that he is unable to appear before you today. He has asked me to represent him and I am pleased to have the opportunity to be with you. I am joined today by Carolyn Golding and James Van Erden of the Unemployment Insurance Service.

The focus of your hearing is to examine a variety of legislative proposals intended to modify or extend elements of the Unemployment Insurance System. Given this focus, it seems appropriate to review the economic progress that we have made in the past year.

When the Federal Supplemental Compensation [FSC] program was enacted a year ago to address high levels of unemployment, the national unemployment rate was 9.8 percent and rising. The unemployment rate then peaked in December 1982 at 10.8 percent.

Since December, there has been substantial economic growth, a lowering of inflation and significant reductions in unemployment. Real gross national product rose at an annual rate of 5.9 percent in the first half of 1983, while industrial production rose at an annual rate of 17.5 percent. At the same time, the unemployment rate has fallen from its peak of 10.8 percent to 9.5 percent in August, reflecting an employment growth of 2.5 million jobs. Moreover, these gains were achieved with very little inflation; the Consumer Price Index rose only 2.4 percent in the 12 months ending in July 1983.

The Administration is optimistic that the economic recovery will continue on its present course and that we will continue to achieve significant economic growth, low inflation and declining unemployment. At the same time, there is no doubt that the current high level of unemployment represents one of our most serious problems. Despite the impressive economic gains in the last 9 months, more than ten million Americans continue to be unemployed and 2.4 million of these individuals have been unemployed for more than six months.

It is also clear that continued economic expansion is not likely to reduce unemployment as quickly as we would like. The experience of past recessions indicates that high levels of unemployment are likely to persist for much of the early stage of the recovery.

The problem of continued high unemployment is reflected in the wide range of alternative legislative proposals that you are considering today. These proposals include changes in Extended Benefit triggers, a simple extension of the Federal Supplemental Compensation program and comprehensive modification of the FSC and EB programs.

The Administration believes strongly, as does the Congress, that the burden of unemployment must not be imposed entirely on those unable to find work. At the same time, we must balance our concern for assisting unemployed workers against the need to maintain policies that will foster and sustain the economic recovery. A continuing reduction in unemployment can only be achieved by long-term, vigorous economic growth.

The Administration believes that the appropriate way to address the problem of high unemployment over the coming months is through an extension of a modified FSC program and not through changes in the Extended Benefit program. The current level of unemployment is clearly too high. With a steady, sustained economic recovery before us, however, it is unlikely that we will reach such levels of unemployment in the foreseeable future. The Administration proposes that the current problem of high unemployment be addressed through extension and modification of the temporary FSC program. Because it is inappropriate to address a short-term problem through changes in a permanent program, such as the EB program, the Administration strongly opposes any changes to the EB program. It is our under-

standing that legislation changing the EB program would not be approved by the President.

In response to high unemployment during the coming months, the administration is proposing to modify the FSC program and to extend it for 18 months. An 18 month extension of FSC from October 1, 1983 to March 31, 1985 would recognize the likelihood, based on past recessions, that unemployment is likely to remain high during this period of the economic recovery. In such circumstances, it is inappropriate to continue to extend the FSC program every 6 months. The consideration of FSC on a 6 month basis adds unnecessary uncertainty to the lives of the unemployed, creates problems for determining benefit durations, and makes the program very difficult to administer. An 18-month extension would assure needed financial assistance to the long-term unemployed during this period, while at the same time permitting Congress to address the full costs of the program.

As part of an FSC extension, the Administration is also proposing a modification to the current program that will provide significant cost savings and needed simplification of benefit determinations. Specifically, the Administration proposal would replace the existing four tiers of FSC benefits spanning 8 to 14 weeks, with a more streamlined three-tiered program providing 6 to 10 weeks of benefits. Varying durations of FSC benefits would be based on the following insured unemployment rates in a State:

5 percent or more—10 weeks,
4 but less than 5 percent—8 weeks.
Under 4 percent—6 weeks.

This proposed schedule of benefits represents both a change in the number of tiers and a change in the weeks of benefits provided for each tier. The ten week maximum and six week minimum benefit durations are the same as those of the first FSC program, enacted in September 1982, when the unemployment rate was 9.8 percent and rising. The unemployment rate is now below that rate and is falling. The Administration believes that it is now appropriate to reinstate the benefit durations of the original program. The Administration would not accept FSC legislation which effectively increases the number of weeks of FSC by providing additional weeks for those now drawing FSC or those who have exhausted their FSC eligibility.

We believe these proposals are both fair and fiscally responsible, and will improve the effectiveness of this vital assistance program. Extending the program for 18 rather than 6 months will assure needed financial assistance for those who do not immediately share in the fruits of the economic recovery. At the same time, the pace of economic recovery to date and the reductions in unemployment likely to occur in the coming months justify changing both the number of tiers and the duration of benefits provided in each tier.

The Administration's proposal for a modified, 18 month FSC program would cost $3.3 billion. Approximately $1.0 billion of this amount would be spent during the first six months of the program through March of 1984 with the remaining $2.3 billion expended over the ensuing 12 months. Benefit outlays would be $2.2 billion in Fiscal Year 1984 and $1.1 billion in fiscal year 1985. We believe that this is the maximum amount of resources that can be devoted to additional FSC expenditures during these periods.

The Administration also urges that Congress reconsider those elements of the Employment Act of 1983 (H.R. 2149) that have not been enacted, particularly the proposals for an FSC Job Voucher which would permit claimants to convert their FSC benefits into a voucher that would help them get a job, and a youth differential minimum wage for summer employment (which would require some changes to employment law). We continue to believe that these proposals are needed to provide employers added incentives to hire FSC recipients and inexperienced youths.

In closing, I wish to reiterate the Administration's concern that the condition of those now facing unemployment be improved. As the economy continues its strong recovery, our proposal to extend and modify FSC will help meet the immediate needs of the long term unemployed.

We continue to be optimistic about the year ahead, and believe that the proposals I have discussed today are essential in assuring both future prosperity and the equitable sharing in that prosperity by all Americans.

Mr. Chairman, this concludes my prepared statement. I and my colleagues will be glad to answer any questions you may have.

Chairman FORD. Thank you very much, Mr. Secretary.

The 18-month extension that the administration is proposing, you talk about addressing the full cost, what is the cost factor involved under the plan that you have submitted here to the commit-

tee, for the 18 months and with the 5 percent or more, 10 weeks, 4 but less than 5 percentage points, 8 weeks, and under the 4 percentage points, 6 weeks.

I am trying to keep up with your tallies here. If we extended the program under the present four-tier formula, what would be the cost for 18 months?

Mr. VAN ERDEN. Mr. Ford, the estimates we have for an 18-month program would be about $3.9 billion.

Chairman FORD. For current law for an 18-month period?

Mr. VAN ERDEN. Yes, sir.

Chairman FORD. 3.3?

Mr. VAN ERDEN. Yes, sir.

Chairman FORD. 3.3 for the new proposal. What would that be for the fiscal year 1984 budget?

Mr. VAN ERDEN. The comparison for fiscal year 1984, current law extension would be $2.7 billion. The administration's proposal would be $2.2 billion.

Chairman FORD. What is in the fiscal year budget resolution?

Mr. VAN ERDEN. I believe the number is $1.5 billion.

Chairman FORD. $1.5 billion is proposed in the Senate budget resolution for fiscal year 1984. The administration would like to exceed that by some $700 million if we go along with the 18-month extension?

Mr. BENJAMIN. Yes.

Chairman FORD. The administration is addressing that there is a need for additional funds in fiscal year 1984.

Mr. BENJAMIN. If we are able to get an 18-month extension that will carry us through this period, yes, sir.

Chairman FORD. You say if we get the 18-month extention, fiscal year 1984, well, that would be for a 12-month period and the other 6 remaining months would be in fiscal year 1985. You are speaking of fiscal year 1984 with the $1.5 billion that is in the budget resolution.

The administration, under the figures that you are showing here, would be approximately $2.2 billion. Under current law, what would it be for fiscal year 1984 in taking the proposal that the administration offers for the 18 months, under current law, not the tiers the administration is now proposing?

Mr. VAN ERDEN. The fiscal year 1984 cost would be $2.7 billion under current law.

Chairman FORD. $2.7?

Mr. VAN ERDEN. Yes, sir.

Chairman FORD. Would you support any reach-back provision within the, similar to the reach-back provision that was included in the extension in March 1983?

Mr. BENJAMIN. No, sir, we could not. The administration and Congress made a decision about appropriate benefit durations in March. Since that time the unemployment rate has come down and durations are now declining, and have been for the past 2 months. As a result we feel it would be inappropriate at this time to raise those benefit durations.

Chairman FORD. The reach-back provision within the legislation in March 1983, it was not for those just dropping off the unemploy-

ment lines but for those who had been unemployed for quite some time.

Congress sensed a real need to respond to those individuals who had been unemployed for a certain length of time, who had exhausted all their benefits.

We looked at the reach-back provision and which was placed in the March extension and see how effective that provision was, and I wanted to know whether or not the administration would comment or look into the reach-back provision, and to see what effect it had upon those individuals who had been unemployed for a length of time.

Mr. BENJAMIN. We did consider the possibility of a reach-back provision, but there are constraints on what can be done in terms of providing unemployment insurance benefits to unemployed persons. Previous reach-back provisions have led to a situation in which some individuals have been eligible for up to 65 weeks of benefits with only 20 weeks of work. Given constraints, we considered it more important to provide some form of benefits for people who become unemployed over the following year and a half.

Chairman FORD. With unemployment down approximately a percentage point, slightly higher than a percentage point, who do you think has made significant gains back into the work force, talking about those who have been unemployed, and those who have been unemployed for a long length of time or those who have been unemployed for a short length of time, do you have any figures from the Labor Department to show who has returned back to work?

Mr. BENJAMIN. Could we provide those for the record for you, sir?

Chairman FORD. Yes, I would appreciate it if you would submit it for the record.

[The information follows:]

TABLE I.—DURATION OF UNEMPLOYMENT

[Numbers in thousands]

Weeks of unemployment	Seasonally adjusted	
	December 1982	August 1983
Duration:		
Less than 5 weeks	4,019	3,660
5 to 14 weeks	3,460	3,026
15 weeks and over	4,732	4,020
15 to 26 weeks	2,125	1,573
27 weeks and over	2,607	2,447
Average (mean) duration, in weeks	18.0	19.9
Median duration, in weeks	10.1	8.9
Percent distribution:		
Total Unemployed	12,036	10,699
Less than 5 weeks	32.9	34.2
5 to 14 weeks	28.3	28.3
15 weeks and over	38.8	37.5
15 weeks to 26 weeks	17.4	14.7
27 weeks and over	21.3	22.9

Source: Bureau of Labor Statistics

The Department of Labor does not have data to show how many of the unemployed have returned to work. This would require the collection of data over time for the some group of people. Such data are not collected on a routine basis.

The only data avaiable on this issue are the duration of unemployment tables presented above which measure the numbers of unemployed at a particular point in time.

Chairman FORD. The Labor Department and the administration has proposed a shift in the tiers of the weekly benefits for certain categories.

I am concerned at this point about the Byrd-Heinz proposal which would consolidate certain changes in the EB program as well as the Federal supplemental compensation program. Senator Heinz indicated earlier today, and I am not sure, Mr. Secretary, whether you were here or not, that he was going to meet with the President on Friday and he, along with other members of the Senate Finance Committee, as well as a bipartisan effort within the Senate itself, will be talking with the administration about supporting the consolidated bill that has been introduced by Senator Byrd and Senator Heinz.

I noticed in your testimony here today you indicated that the Administration proposes that the current problem of high unemployment be addressed in the extension and modification of the temporary FSC program, because it is inappropriate to address a short-term problem through changes in a permanent program, such as the EB program. The administration strongly opposes any changes to the EB program.

Does that mean that you would oppose the legislation that has been introduced by Senators Byrd and Heinz and also Congressman Stark?

Mr. BENJAMIN. To the extent that the proposed legislation contains changes in the EB program, we would have to oppose those portions.

Chairman FORD. Well, their legislation would change some of the provisions in the EB program.

Mr. BENJAMIN. Correct, sir.

Chairman FORD. You also say that the legislation changing the EB program would not be approved by the President. Are you saying the President would veto the bill if we had some changes within the EB program?

Mr. BENJAMIN. I believe the President would receive a very strong recommendation for a veto, sir.

Chairman FORD. Mr. Stark raised the next question which I was about to.

You say he would receive a strong recommendation by whom?

Mr. BENJAMIN. By the Cabinet Council for economic affairs.

Chairman FORD. The Chair will recognize Mr. Campbell at this time.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Let me ask you a question. If in fact you made the changes in the EB program, might you not jeopardize the benefits to people

because the State legislatures are out of session at this time and would not be able to enact corresponding changes necessary in State law?

Mr. BENJAMIN. That is correct, sir. If you were to make changes in the EB program, actual implementation of those changes would involve State legislatures changing their laws. Currently, 42 State legislatures are in recess and some States won't even be in session next year. We estimate, based on our experience with the last set of EB changes, that it would easily be a year or more before States got around to modifying their State laws.

This would mean that changes in the EB program would have little, if any, impact in helping people in the short run. Moreover, it would also introduce gross inequities between the States because some would be meeting and be able to change the laws, while others would be unable to do so.

Mr. CAMPBELL. Let me ask you a couple of other questions about the cost.

You said it would cost about $2.2 billion for fiscal year 1984 under the three-tiered program that you have offered. It was about $2.7 billion under the other program and the budget had called for $1.5 billion, is that not correct?

Mr. VAN ERDEN. Correct.

Mr. CAMPBELL. What was the 1982-83 6-month FSC estimated cost?

Mr. VAN ERDEN. Our estimate for outlays for 6 months was $2.2 billion. The program was extended an additional 6 months.

Mr. CAMPBELL. $2.2 billion for the 6-month program but that was what was accommodated and then when we changed the program and we disrupted all the budgeting. It was a necessary change which I supported in the extension. Is it not true that that caused that program to go up to over a $5 billion cost?

Mr. VAN ERDEN. Yes, sir. With the extension and the additional weeks of duration, plus the reach-backs that were provided both in the Surface Transportation Act and the Social Security amendments, we have now spent through August of this year which is 11 months of the fiscal year, $5.3 billion. We estimate we will spend $5.6 for the fiscal year.

Mr. CAMPBELL. In your three-tiered extension program, what would a reach-back of 6 weeks or something like that do to the program, what are we talking about dollarwise? I asked this of the Northeast Coalition, and they didn't have a figure.

Mr. VAN ERDEN. We have several estimates. If we allowed 6 weeks of additional benefits for all individuals who have exhausted FSC, it would come to $660 million.

Mr. CAMPBELL. On top of the 2.2, so then——

Mr. VAN ERDEN. We are up over $3 billion.

If I could, if you limited that to the individuals who had exhausted since the April 1 extension, Mr. Ford alluded to this earlier, the additional cost would be $300 million.

Mr. CAMPBELL. $300 million.

Mr. VAN ERDEN. Yes, it depends on how the reach-back was actually written up.

Mr. CAMPBELL. If we approved a reach-back basically along the lines which Mr. Ford had talked about and your three-tiered pro-

gram, then we are talking about $2.5 billion for a 12-month period. What are you talking about over 18 months?

Mr. VAN ERDEN. $3.5.

Mr. CAMPBELL. Which would in fact put you roughly close to your program under the current four-tiered program which is now on an 18-month extension, is that not correct?

Mr. VAN ERDEN. That is correct.

Mr. CAMPBELL. The 10-8-6 program, how did we get there? Are we getting back to something we had had before, or starting something new?

Mr. BENJAMIN. Basically we feel that over the past year, the system has gotten extremely complicated and cumbersome, What we are trying to do with a current proposal, and I would like Ms. Golding to elaborate, is to simplify the program and restore the level of benefits to the levels in the original FSC program.

Ms. GOLDING. This would be a return to the same durations as the original program. We found with the subsequent extensions of FSC and the changes in the duration levels that the State agencies have just been drowning in a welter of fast and multiple changes and it has been very confusing to the people administering the program.

Mr. CAMPBELL. Has it slowed down the payment of benefits?

Ms. GOLDING. It has and it has delayed the State agencies' ability to respond to the law changes.

Mr. CAMPBELL. The more complex the changes the more chance that people will have a delay in their benefits.

Ms. GOLDING. Or a mistake, and they may feel there is a mistake and they may appeal. All that adds significantly to the workload and to claimant confusion and misunderstanding about what is going on.

Mr. CAMPBELL. My time is just about up and maybe we can pursue some of this a bit further but let me summerize. You want to extend the program for 18 months, so that States and individuals can plan, we can budget and simplify the program by going to a three-tiered instead of a four-tiered program and you are not in favor of a reach-back. However, if you had to look at a reach-back, the one Mr. Ford discussed was certainly far better than anything else that had been proposed. Is that a reasonable summation?

Mr. BENJAMIN. Yes, sir.

Chairman FORD. Thank you. Mr. Pease.

Mr. PEASE. Thank you very much, Mr. Chairman.

Mr. Secretary, Senator Heinz and Senator Spector both suggested that the opposition of the Reagan administration to improvements or extensions of unemployment compensation is essentially just negotiating talk, that when it comes time, the President will sign whatever Congress passes.

You told us this morning that the President would be opposed to any change in the EB program, that he would be opposed to any reach-back.

Is that just a negotiating stance? Will the President sign the bill in the end?

Mr. BENJAMIN. It is my understanding that that is not a negotiating stance.

Mr. PEASE. What happened on the recent 2-week extension of FSC?

We were told back in July that the administration was opposed to that 2-week extension, redefinition of the maximum. I understand 2 weeks ago the President signed the bill, what about that?

Mr. BENJAMIN. I am not familiar with all of the intimate details, of that bill, but the FSC component of H.R. 3469 ended up being a very small component of the bill. It is my understanding that the President signed it because he favored the major components of the bill.

Mr. PEASE. Well, we were told, I think it was a couple of hundred billion dollar item, back in July, when the Republican leadership opposed it on the floor of the House.

Mr. VAN ERDEN. That is true, the initial estimates were some $200 million. The final version that was passed was around $100 million.

Mr. PEASE. Was there anything in that bill besides a 2-week extension?

Mr. VAN ERDEN. Yes, sir. I am not sure of the details but it was something that dealt with commodities.

Mr. PEASE. Nothing else related to unemployment compensation?

Ms. GOLDING. Nothing else.

Mr. VAN ERDEN. Mr. Pease, it was the emergency food bill that was attached to the FSC bill.

Mr. PEASE. I see.

Well, then, if we attached the changes in unemployment compensation to some other emergency bill, the President would probably sign that bill, do you think? How about if we attached it to the bill providing for the MX missile?

It is interesting, Mr. Chairman, to think in terms of the MX missile. Now that that subject has come up, we could talk about EB changes in multiples of MX missiles. At $200 million a throw, we could say two MX missiles and reach back for all unemployed workers.

Chairman FORD. The audience will have to refrain from any outbursts responding to any questions.

Mr. PEASE. Let me change my tack, Mr. Chairman.

We were taiking about earlier in the question from Mr. Campbell about changes in EB and how they might provide problems for the States when the legislatures were out of session.

I presume, however, that that would not be true if we were to simply change the trigger for EB or to change the definition of IUR, the States would not have to go into session with the legislatures to adjust to that. Am I correct on that?

Ms. GOLDING. You are not correct in that. The State law does incorporate a definition of who is included in a count of insured unemployed and they do have in State law parallel language with the triggers for the extended benefits program.

There are 10 States that have the opportunity to waiver the 120 percent factor, so those 10 States would not have to change their State law with regard to the 120 percent, but every State would have to make a State law change for every other kind of trigger change.

Mr. PEASE. How about the definition of IUR?

Ms. GOLDING. Yes. For a change in the definition of IUR, all States would have to enact legislation.

Mr. PEASE. It seems to me that States, particularly in the Northeast and the Midwest, with very high long-term unemployment, might welcome the opportunity to call the legislature in to session to make that kind of a change if it would provide for additional weeks of benefits.

You come before us saying that you are planning to improve the Federal unemployment system and I would like to pursue that a bit.

What about extended benefits; how many States do you project will be receiving extended benefits in fiscal year 1984?

Mr. VAN ERDEN. Our present estimate based on the midsession economic assumptions would be a maximum of 10 States paying EB.

Mr. PEASE. How many are collecting EB right now?

Mr. VAN ERDEN. Two States plus Puerto Rico.

Mr. PEASE. Do you think there will be any increase from that figure? Say it could be a maximum of 10. Do you think there will be any increase at all?

Mr. VAN ERDEN. Well, Mr. Pease, the rates that we use to trigger EB on are subject to seasonal variations. There is always the chance they will go higher and trigger more States on.

Mr. PEASE. Is there much likelihood they will go higher?

Mr. VAN ERDEN. Well, if you are talking about 10 or 12 or 15, I would say within our forecasting error we could get 15 States on. If you are talking about 20 to 30, probably not.

Mr. PEASE. When the administration made up its budget and submitted it to Congress earlier this year with unemployment compensation costs for fiscal year 1984, what figure did you have plugged in for the Federal cost of EB?

Mr. VAN ERDEN. For fiscal year 1984, well, our total estimates of expenditures for EB is $337 million. Half of that would be the Federal share, roughly $170 million.

Chairman FORD. Well, as I say, you are coming before us saying you are trying to improve this program. Going back to what Senator Heinz said and Senator Specter, 2 months ago an unemployed worker in Pennsylvania could collect 26 weeks of State benefits, 13 weeks of extended benefits and 12 weeks of FSC, for a total of 51 weeks. Now, under your proposal, since Pennsylvania and most other States have triggered off of EB, they would be entitled to a maximum of 36 weeks.

How can we really figure that to be an improvement?

Mr. BENJAMIN. Well, let me explain to you what happens over the course of the year.

During the winter months when short-term layoffs drive up the insured unemployment rate, States trigger on to the extended benefit program and stay on for a while. Then, as the summer comes, employment goes up, insured unemployment rates go down and the States trigger off. This happens every year with the EB program, strictly because of the seasonal movement of the insured unemployment rate. It is something that was built into the original EB program.

Mr. PEASE. Can you give us an estimate of how many States would still be on EB extended benefits if the administration had not changed the IUR definition and the triggering rates in 1981 as one of its first acts?

Mr. VAN ERDEN. I think last week when we looked at it, we would have 16 States on if we had not changed the trigger level.

Mr. PEASE. We are talking about 14 States with the highest unemployment and the greatest rates of long-term unemployment which would still be collecting EB were it not for those changes that the administration pushed through in 1981; is that essentially correct?

Mr. BENJAMIN. I believe that is correct.

Mr. PEASE. Mr. Chairman, I think I will stop at this point.

Chairman FORD. Mr. Matsui.

Mr. MATSUI. Thank you, Mr. Chairman.

One of the areas that I perhaps have not been able to obtain from you: Is your objection to change in the EB formulas more to accommodate the State legislatures or is it based on more philosophical concerns?

Mr. BENJAMIN. It is really a combination of three factors. First, it is our concern that State legislatures won't be able to act in time to help anyone over the next 6 months to a year. Second, we are concerned about the solvency of the UI trust fund, since half of all money spent on EB is State moneys and the State UI trust funds are now $13 billion in debt. The final factor is our concern that we are coming out of recession now and the unemployment rate is coming down. As a result, it seems inappropriate at this point in time to change a permanent program to deal with temporary problems. The correct approach is an 18-month extension of Federal supplemental compensation.

Mr. MATSUI. I think most people agree that the unemployment rate will probably decrease or decline over the next 18 months to perhaps about 9 percent. Even the most optimistic economists say it will go down to about 9 percent around the end of 1984. You may see it fluctuate a little bit. It won't go much below that. And, as you see a decline in the unemployment rate, the EB formula becomes less relevant in terms of getting benefits for people.

Second, because of the seasonal differences, as you mentioned, it creates uncertainty to some extent as to whether a State will trigger or not trigger on. Doesn't that bother you somewhat?

You were talking about 18 months to bring some stability to the system, but what about the seasonal fluctuation that causes States to go on and off? Doesn't that trouble you as well?

Mr. BENJAMIN. Well, the seasonal fluctuation does create uncertainty for the unemployed.

Mr. MATSUI. Wouldn't you like to deal with that issue in this legislation?

Mr. BENJAMIN. Our current position is that——

Mr. MATSUI. I know what your current position is, but wouldn't you like to deal with it?

You want to extend it to 18 months to bring some stability to the program and give people the ability to find out what is going to be happening over the next 18 months. Well, what about the seasonal

adjustments? Don't you want to bring some short-term stability into the system as well?

Mr. VAN ERDEN. Mr. Matsui, the problem I think in one sense is how quickly you move on that.

The Bureau of Labor Statistics which would be responsible for doing the seasonal adjustment of the State trigger levels, has indicated to us that it is quite uncertain about how the seasonal adjustment process works on the State level basis. And so what you might be doing if you act very rapidly and move quickly is introducing more variability into the system than you take out.

I think the problem is that you need to look at the seasonal adjustment factors first, analyze how they are going to work, and then look at the process, because the system is just not equipped to immediately move into seasonal adjustments.

Mr. MATSUI. So you are saying you would like to deal with the seasonal adjustment but you don't have the capabilities or information yet to deal with it. Is that right?

Mr. BENJAMIN. We are studying the issue of seasonal adjustment.

Mr. MATSUI. You find that unacceptable, right, the fact that there is a seasonal adjustment problem which creates instability in the short term, is that right? Are you considering that?

Mr. BENJAMIN. We would agree that the seasonal factor is an unpleasant feature.

Mr. MATSUI. So you would like to make some changes. When do you think you would get the information on that?

Mr. BENJAMIN. I could not tell you today, sir.

Mr. MATSUI. I don't know why you can't get it within a week or so or maybe even by next Thursday when we deal with it.

Chairman FORD. We will have order in the committee room. The committee has recognized the Labor Department and you may respond to Mr. Matsui's question.

Mr. MATSUI. In any event, I think I have exhausted that. Obviously, we can't get the information in the next 2 days.

Right now, Alabama, Illinois, Michigan, Ohio, Pennsylvania, with total unemployment between 11.4 and 14.3 percent in those States, do not collect EB, as your earlier testimony indicated. Does that trouble you at all?

Mr. BENJAMIN. Well, obviously it would be nice, sir, if in the ideal world we could provide——

Mr. MATSUI. I am not asking you about the world. I am asking you, does it trouble you at all that these States with very high unemployment are not able to collect extended benefits? Does that trouble you?

Mr. BENJAMIN. Well, they are collecting regular UI.

Mr. MATSUI. I understand that. Extended benefits are what I am talking about.

Some of them may be getting Federal supplemental compensation. Some are getting regular unemployment benefits. But we have extended benefits in the law right now and, as for people that have exhausted their 26 weeks, does that bother you that in high unemployment State areas, that they are not able to get extended benefits?

Mr. BENJAMIN. Yes, sir.

Mr. MATSUI. It does bother you. Well, then, why not try to work with this subcommittee in coming up with a formula change that will take care of these people if it troubles you, unless for some reason you consider—why?

Mr. BENJAMIN. We believe that the changes in the law that were put in place in 1981, when combined with the FSC program—and we think that is important that the FSC program be there—is an appropriate policy to deai with the current problem.

Mr. MATSUI. You have got 2½ million people, from your own testimony, that are unemployed for 6 months or more.

In 1981, when your package was developed in conjunction with this committee, we did not think unemployment would reach 9 percent. In fact, if I recall correctly, Don Regan testified before us and said by 1983 it would probably be down to below 6 percent. Times have changed. Your figures are all inaccurate.

Does that mean that perhaps you may want to look back again at what you did in 1981?

Ms. GOLDING. I think, sir, if I might, there is a real issue here of how much of the problem that you are describing, that we agree is a very real problem, how much you want the solution to be borne by an unemployment insurance system that is paid for primarily out of employer taxes versus some alternative mechanism available through either State or Federal programs.

Mr. MATSUI. Let's discuss that. Alternative methods perhaps like welfare?

Ms. GOLDING. I was thinking, sir, of the Federal supplemental compensation proposal that we are putting forward that puts the burden on general revenue.

I think as another alternative, I would point to the Maryland and Oregon State experience where they have established special State-financed programs of additional benefits for people who have been unemployed for extended periods of time. I think there are those alternatives.

Mr. MATSUI. You are talking about the general revenues of the Federal Treasury?

Ms. GOLDING. The latter two that I mentioned, Maryland and Oregon, are State general revenues.

Mr. MATSUI. But you are talking about Federal.

Ms. GOLDING. The Federal compensation program is Federal general revenue, yes, sir.

Mr. MATSUI. And you are saying that you are willing to go along with a substantial increase of that program beyond the $3.3 billion that you are talking about over 18 months, then?

Ms. GOLDING. No, sir. I am saying that in making the decision about what makes sense for employers' unemployment insurance taxes to bear, that the administration has come down on a federal general revenue program rather than a program that would be financed from employer taxes that would have the effect of increasing the insolvency of States who are already troubled.

Mr. MATSUI. But there are still many people now that are not receiving FSC, is that correct?

Ms. GOLDING. That is correct.

Mr. MATSUI. And what are we going to do about them?

Ms. GOLDING. I think the difficult issue is how many people can be taken care of through the unemployment insurance system or through other alternatives.

Mr. MATSUI. I understand that the President says now we are seeing economic revival, and so have some others in his administration. That being the case, perhaps what we should do is assist these people who are unemployed a little while longer so that in fact they will be able to get the fruits of the so-called Reagan economic program instead of having these people go on——

Chairman FORD. Let the Chair say that I, too, support the move for jobs and that is the purpose of this session here today—help for those who are unemployed. I don't think there is anyone in this room more committed than Harold Ford, as chairman of this subcommittee, in wanting those jobs and wanting those benefits now. But I must say to the audience at this point, if there are any more responses to the comments that are being made by the witnesses or the members of this panel, then we would have to ask those with the outbursts to be excused from the room. We have a long agenda today.

Our hopes and our plans are to report a bill out of this committee by Thursday of this week. We have some 40 other witnesses to complete today. We want to move this bill out.

I want jobs too. I think my record in the Congress will reflect just that. But at the same time, we have a job to do today, to mark this bill up and report this bill out this week. That is a commitment that we have made as members of this subcommittee. We would like to try to expedite the witnesses today and move forward with the markup session.

So I plead with the audience at this time, if you want to remain here with us, please cooperate with us at this time and let us proceed on with the hearings today.

Mr. Matsui.

Mr. MATSUI. Thank you very much, Mr. Chairman.

My comment and what I wanted to complete was the fact that many of these people now will have to go on welfare, just as many have been going on welfare. That requires them to sell many of their assets which puts them in a position making it much more difficult for them to get a job once the economy begins to perk up and jobs become available. And that is the problem with the attitude that the administration has taken at this time.

Let me just conclude, because I know my time is running short. If you people remain obstinate in terms of saying the President will veto any bill that has any formula changes in EB or FSC, you won't play a role in the process as it pertains to the subcommittee or of the full committee of the House. And if that is the case, you are going to be finding yourself before the end of September in a position where your President must make a decision whether to veto a bill that is going to appear on his desk just before these benefits are going to be cutout.

I just think that it would be wise for the administration to sit down and rethink their position at this time. Perhaps they could get back to us in the next day or so with some possible changes in the formula that you and I and all of us could work on and perhaps compromise on.

But again, if your attitude, what we read in your testimony and what you just said, remains, we are going to find ourselves in a confrontation, and it won't be productive for the administration, I can assure you of that, if that should be the case.

Chairman FORD. Thank you, Mr. Matsui.

Mr. Pease had another question, I think, for the panel.

Mr. PEASE. Mr. Chairman, I just wanted to clarify one point.

You say in your testimony, Mr. Secretary, that the administration would not accept FSC legislation which effectively increases the number of weeks of FSC by providing additional weeks for those now drawing FSC or those who have exhausted their FSC eligibility. That is, no reach-back; correct?

Mr. BENJAMIN. That is correct, sir.

Mr. PEASE. What would happen if a person became eligible for FSC, say, in Ohio under the current program, exhausts his first 26 weeks of State benefits on September 15 of this year? He is eligible to go on FSC and collects 2 weeks before September 30. Under your proposal, would that person be eligible for any benefits after October 1?

Mr. VAN ERDEN. Yes, sir, Mr. Pease. If the program was extended without break, the duration in Ohio would probably still be 10 weeks and he would just continue to draw his 8 weeks.

Mr. PEASE. So when you say that you are opposed to providing additional weeks for those now drawing FSC, you would be opposed to additional weeks on top of the 10 or 12 weeks that are already provided for?

Ms. GOLDING. The 10 weeks, yes, sir.

Mr. PEASE. Well, Mr. Chairman, finally I would just like to ask this question. It is a little broad for this witness, but we have at least 2.5 million or probably closer to 3 or 4 million people who have exhausted all unemployment benefits.

In my home town of Lorain, Ohio, we have 4,000 steelworkers who have been unemployed for over a year now and have exhausted all their benefits. The general manager of the plant was telling me just last week that the same 4,000 would be unemployed at this time next year. They have got 4,000 working and 4,000 unemployed.

You are opposed to any reach-back that would help those 4,000, some of whom have 25 years of seniority.

What is the administration's answer to those workers and their families?

Mr. BENJAMIN. I would say two things, sir. First of all, this issue about what you do with exhaustees is an extremely difficult one, not only for you and the other people on the committee but also for the administration.

No proposal that I am aware of made today or any other time would totally deal with the issue of exhaustees. Regardless of how far we extend UI benefits, people would still exhaust from the program. There is nothing you can do to totally eliminate the problem.

One thing that will be done beginning October 1 is implemention of the Job Training Partnership Act, which Congress enacted last year. We have been working very hard to make sure that the program is ready to go on October 1, and it will be. It provides $3.5

billion in training funds and we are going to work on the problem of exhaustees who have been displaced from steel mills and elsewhere in order to move them into new occupations.

Mr. PEASE. That assumes that you are willing to do that in those States that can come up with the matching dollars to participate in the program. Not all States will participate.

Mr. BENJAMIN. Well, that matching feature, as I recall, declines with the unemployment rate. I would think that virtually every state would want to avail themselves of that program. I would certainly hope they would.

Mr. PEASE. You would concede that under the Job Training Partnership Act there is a very substantial State matching requirement of up to 50 percent?

Ms. GOLDING. For title III, I believe that is. And I believe that the match decreases as the State's unemployment rate increases. So for States with very low unemployment rates, it would be 50 percent.

Mr. PEASE. Is there any other response that the administration has to these workers?

I don't know whether you were here this morning for Mr. Wise's testimony, but many of us just came back from 5 weeks in our districts and we talked to a lot of unemployed workers and they asked us the simple question: "I have been unemployed for a year. My benefits are out or they are about to run out. I have got a car. I have got a house that makes me ineligible for welfare and food stamps. I am about to lose my home. I have lost my health insurance benefits. What am I going to do, Mr. Congressman?"

Mr. Wise said he did not have a good answer.

The question is, does this administration have an answer, inasmuch as you are opposed to any reach-back provision in unemployment compensation, which might provide at least a partial answer for a short period of time?

Mr. BENJAMIN. Well, we believe that the Job Training Partnership Act is a strong start. We are constantly seeking alternative ways to address this problem, and we look forward to working with Congress on this issue in the coming months.

Mr. PEASE. The Job Training Partnership Act, I must remind you, provides training. It provides no weekly benefits at all that would sustain a family while the person is being retrained.

Mr. BENJAMIN. That is correct, sir.

Mr. PEASE. I don't want to badger you, but what do we tell people who are about to lose their homes, who have children who need operations and can't get them? We tell them, "If you can come up with the money to sustain yourself, we will help you, and if your State participates, we will help you get retrained"?

That does not seem to me to be a sufficient answer. Does the administration not have anything more than that for these workers?

Mr. BENJAMIN. Sir, anything that we would propose, anything that any of the other people here have proposed on these bills is going to put you in that position.

I have no answer.

Mr. PEASE. Thank you very much. I appreciate your sincerity.

Chairman FORD. Thank you very much.

Mr. Campbell.

Mr. CAMPBELL. Thank you, Mr. Chairman.

Let me pursue that just a little. Under the program that you offered, you are asking for 18 months or you are asking for an assurance that the program will be in being for 18 more months, not expire at the end of September?

Mr. BENJAMIN. That is correct.

Mr. CAMPBELL. So, in fact, for those who were still eligible, rather than facing the potential cutoff date, they would be assured that based on what their State's tier was that they could draw the full benefits and would not be cut off; is that correct?

Mr. BENJAMIN. That is correct, and it is our hope that we can get this enacted quickly so that no one will face a cutoff in benefits on October 1.

Mr. CAMPBELL. Now, going back, there were a couple of questions that were rather strong on the extended benefits. Let me make sure about this. If we make those changes and the State legislatures are not in session and they can't make their corresponding State changes, according to the testimony that I heard, that could cause not only a slowdown in processing but an error in processing and probably would result in a disruption of payments.

Mr. BENJAMIN. For all practical purposes, on virtually any change—and I am sure I will be corrected if I am wrong—but virtually any change in the EB program would have no effect on October 1 because of the fact that State laws would have to change.

Mr. CAMPBELL. So it would make no difference if we changed that, since nobody could get any change because the State legislatures, 40-some of them, are not in session and are not going to meet; is that right?

Mr. BENJAMIN. That is correct. The only way we can deal with the problem of the FSC program ending as of October 1 is through an extension such as we are proposing.

Mr. CAMPBELL. That is the first problem before us: to extend the program. The other matters can come up and be debated later and not in this context, because they won't be relevant. Is that what you are saying?

Mr. BENJAMIN. Yes, sir.

Mr. CAMPBELL. I just wanted to return to what we were talking about. The second thing, I don't like to get into the broader issue with witnesses either, but Mr. Pease posed some interesting questions. Outside of the program that we are dealing with in the extension, what has the administration done recently on imports and steel and specialty steel and things like that? Have they taken any actions lately?

Mr. BENJAMIN. Yes, sir. Without going into the details, there were recently some decisions made by the administration to restrict imports of specialty steel.

Mr. CAMPBELL. I understand that the steel industry has also requested a review of antitrust laws due to the fact that some of their facilities were not modern and could not compete and they needed to combine in order to be competitive. Is the administration aware of that and will they consider that request to allow the steel industry to rebuild?

Mr. BENJAMIN. I am not familiar with the details of that proposal, sir.

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Mr. CAMPBELL. Thank you.

Chairman FORD. Thank you.

The Chair has one final question for the Secretary and I think there have been members on the committee who have touched upon it: If there is a time I guess that we need to talk in terms of unemployment compensation benefits and think in terms of what has happened, don't you think there is a problem with the current EB program when States with unemployment as high as 15 percent don't qualify for extended benefits? Doesn't it seem to you that that is a problem that is out there?

The only two States, Louisiana and West Virginia, along with Puerto Rico, with the changes that were made for the reconciliation in 1981, isn't it a little change when we see unemployment as high as 15 percent in areas and those extended benefits are no longer there?

Mr. BENJAMIN. Well, I believe the figure you are talking about is a total unemployment rate figure, sir. We are currently——

Chairman FORD. That is the only thing we want to look at is a total unemployment figure anyway. The Reagan reconciliation changed the calculation of IUR and with this new formula that you all brought out. It is strange when you have unemployment as high as 15 percent, extended benefits were not awarded there.

Mr. BENJAMIN. I think one thing you want to remember is that the U.S. unemployment insurance system itself is designed to serve the insured population. Its original intent and purpose was to maintain a tie between employers who pay the taxes for the system, and the individuals in covered employment who become UI recipients. Once you start dealing with the total unemployment rate, you no longer preserve that link between those two groups.

There are a number of people who have entered the work force over the last decade. We have more women in the work force. We have more younger people. Youths typically have higher than average measured unemployment rates in large part because they are entering the labor force for the first time or because they change jobs frequently.

Chairman FORD. I yield to Mr. Pease.

Mr. PEASE. If the chairman would yield; if what you say is correct and you are trying to preserve the link with the insured unemployed force, then certainly we ought to take into consideration people who are not only collecting unemployment insurance as we do, but those who are collecting EB and you don't do that now. We ought to take into account those who have exhausted benefits also. People leave the system according to the IUR even though they are not back to work.

Mr. VAN ERDEN. Mr. Pease, one thing that I think is important when people say we don't count the exhaustees in the IUR, the people who exhaust their benefits were counted for 26 weeks while they were drawing regular benefits and during that period of time, they contributed to the IUR. In some sense, that makes that a leading indicator of the need for EB. As these people come through the system, the IUR goes up and the program triggers to take care of them as they go off.

As fewer people come through the system and ultimately exhaust, then there is less of a need for EB and there is a point at

which you have to cut that off. That is currently 5 percent or 6 percent.

Chairman FORD. Thank you for testifying before the committee today, Mr. Benjamin and also the other two witnesses. Thank you very much.

Mr. BENJAMIN. Thank you.

Chairman FORD. The committee will call on the next panel: Congressman Sander M. Levin of Michigan; State Senator Gary G. Corbin, majority floor leader, Michigan State Senate, and the vice chair of the Senate Labor Committee; State Senator Paul B. Henry, ranking minority member of the Michigan Senate Labor Committee; and Mr. Ken Morris, commissioner of the Michigan Employment Security Commission.

Could I get you to identify yourselves for the reporter here so she will have your names the way you are seated. We will start to my right and your left here. We would appreciate it.

Mr. HENRY. Thank you, Mr. Chairman. I am Paul Henry, Michigan State Senator.

Mr. CORBIN. Mr. Chairman, I am Gary Corbin, Michigan State Senator.

Mr. MORRIS. I am Ken Morris, commissioner on the Michigan Employment Security Commission.

STATEMENT OF HON. SANDER M. LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

Mr. LEVIN. Thank you, Mr. Chairman. My fellow residents of Michigan have introduced themselves and I am very pleased that we all have the opportunity to appear here today on this important matter.

In my remarks, members of the committee, I want to concentrate on the issue that has been highlighted in the testimony that you have just heard, the matter of extended benefits.

The bill that Congressman Vander Jagt and I introduced, H.R. 3575, focuses on the issue of extended benefits. One part of it also relates to definitional matters on FSC.

You have heard the position of spokespersons for the administration. Let me, if I might, comment on that testimony in the main points that have been presented.

You have a written statement from me, Mr. Chairman, and I believe under your rules that that written statement will be entered into the record. Is that correct?

Chairman FORD. Without objection, it will be entered into the record.

Mr. LEVIN. So rather than going through it and discussing how we would introduce a renewed mechanism into the extended benefit formula so that it would work again, let me, being glad to answer any questions that you might have about that approach, address myself to the critical comments that have been made by the administration on the extended benefit program.

It is the hope of Congressman Vander Jagt, myself and over 40 others who are sponsoring H.R. 3575 that when you mark up a bill, you will consider not only the FSC, you will also consider extended benefit issues.

The first comment of the witnesses of the administration is don't act on extended benefits even though only two States today are covered by it, plus Puerto Rico, and not with with the exception of West Virginia, that States with the highest unemployment, don't act on it because unemployment is going down. Well, the seasonally adjusted unemployment figure in Michigan for August is 14.3 unemployment. But we are talking about unemployment count. We should not be, therefore, discussing aggregate figures when unemployment in the nation today is 10 percent or 9 percent.

We are talking about a program designed to meet the needs of individual families. It strikes me that it is no answer to say to unemployed people in Michigan, Ohio, West Virginia, California, wherever it is that "unemployment is going down, therefore you should lose your extended benefits of unemployment compensation." That is not an answer at all.

Second, it has been stated that the problems with the trigger mechanisms are short term, that the IUR dilemma will be resolved briefly or shortly.

Well, on page 2 of my testimony, table 1, you will see spelled out the differential between TUR and IUR over the last years and you will see that the differential between TUR and IUR is not short term and there is no indication that it is going to be rectified in the immediate future.

It has been said we should preserve the link. That is the last comment that was made regarding IUR, but where you have a differential of 5 and 6 percent over many quarters between TUR and IUR that makes a mockery, in my judgment, out of testimony or arguments that we should leave IUR as the trigger mechanism in order to preserve a link. What we are doing is preserving a link to a dead end for hundreds of thousands of unemployed workers in this country and this subcommittee should not stand for that.

There has been discussion of a third point I want to address about feasibility. The State legislatures are not in session. Some will not meet at all the rest of this year. Well, State legislatures don't have to meet in order for there to be rectification of this terrible situation under H.R. 3575, Mr. Chairman.

By adopting the proposal in there of a trigger mechanism of TUR at 6½ percent, there has to be no action at all by State legislatures. In a word, it is feasible for this subcommittee and it is feasible for the committee and it is feasible for this Congress to act now effectively, to act now effectively and to raise complexities about State legislatures not being in session, in my judgment is a dodge.

It is an excuse for inaction and there is no answer or no real reason for that inaction.

Five weeks ago I was doing some shopping in downtown Detroit and I heard a fellow yell over to me. He said to me, "Guess what I have just found out," and I said, "Don't tell me. I am afraid I can guess. You have been notified that you have fewer weeks of unemployment compensation than you thought you did because of a triggering mechanism that nobody fully understands and no one can justify," and that is what it was.

Well, a fourth point I want to address, I guess, is that there are other alternatives. Let the States set up additional unemployment compensation programs. Are you going to say that to States like

Michigan that have deficits of over $800 million? Is that, again, anything but passing the buck, knowing that nothing will happen?

And finally, it has been said, members of the committee, that if this subcommittee touches the extended benefit program, that there will be a recommendation to the President that he veto the bill. Well, in handling that kind of a recommendation, the President would have to confront, it seems to me, at least two factors: No. 1, his own conscience. The trigger mechanism now of IUR is a gun at the heads of hundreds of thousands of unemployed workers. Today the way the formula is worked, unemployment compensation is not a safety net. It is a noose. And he will have to consult his conscience when he looks at that recommendation if it comes.

And last, he will have to face not only his conscience, but hundreds of thousands of American people who will be voting November 1984 and whose economic livelihood or viability today is undermined by this senseless trigger mechanism, and not only by those hundreds of thousands of people who are directly hurt but by millions of others who do believe that in this country when people who have been working all of their lives who are laid off through no fault of their own, who want to get back to work are having forfeited many weeks of basic unemployment compensation benefits through a senseless, indefensible system.

Members of the subcommittee, there is a mechanism. This proposal or any other like it we have no pride of authorship. There is a need. There is time—2 weeks. I strongly urge that this subcommittee rectify this wrong, that it look not only at the supplemental program but the extended benefit program and that it bring to the floor a bill that will let this Congress place its head high instead of hanging it low and most importantly, Mr. Chairman and members of the committee, will provide benefits, unemployment compensation benefits for tens of thousands of workers who really were supposed to be receiving these benefits under the original design and intent of the unemployment compensation program of the United States.

Thank you very much.

Chairman FORD. Thank you very much.

[The prepared statement follows:]

STATEMENT OF HON. SANDER M. LEVIN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN

I want to thank you and the Committee for giving me this opportunity to testify on the extension of the Federal Supplemental Compensation (FSC) program and the inequity in the current Extended Benefit (EB) program that disqualifies many of those states with the highest unemployment rates in the country from participating in the Extended Benefit program.

At the outset, let me say that I strongly urge this Committee to reauthorize the FSC program for at least 6 months and I believe my sentiments are widely shared by the members of the House. In the First Budget Resolution approved by both the House and Senate, $1.5 billion was set aside for just such an extension. As we approach the September 30 expiration date, it is becoming increasingly clear that the current recession is far from over. The national unemployment rate for August shows no improvement while unemployment in 6 of the 10 largest States actually rose. In 48 of the 50 States, the FSC program is the only recourse for unemployed workers who have exhausted their benefits. To allow this important program simply to expire would be a tragedy.

I would like to turn my attention at this point to the second federal unemployment compensation program, Extended Benefits. The problem here is much more

complicated. It relates to a recent development in the numbers we use to measure labor market conditions, namely the large and growing divergence between the traditional measure, the Total Unemployment Rate (TUR), and the measure used to determine eligibility in the Federal unemployment programs, the Insured Unemployment Rate (IUR).

The IUR is calculated by dividing the number of workers collecting regular State unemployment benefits by the number of workers in covered employment. As such, it is a "hard" number available in all states on a weekly basis. The TUR, on the other hand, is an estimate of the number of people who are out of work and looking for a job. This number includes new entrants into the labor market, those who have lost work but are ineligible for unemployment benefits, those who have exhausted their benefits as well as workers who are collecting regular State benefits. Because of the broader definition of the TUR, this measure is typically lower than the IUR.

Historically the movement of the IUR has been quite similar to the movement of the TUR and was therefore a reasonable measure of unemployment to use in Federal legislation. The gap between these two measures nationally remained on the order of 2 to 3 percent. Since 1980, however, we have witnessed a dramatic increase in this difference. While the TUR has risen greatly and remained high, the IUR has risen little and even fallen. Table 1 compares the difference between the TUR and IUR for the four quarters from 1978 to the present.

TABLE 1.—NATIONAL TUR/IUR DIFFERENTIAL

Year	Quarter—			
	I	II	III	IV
1978	2.7	2.8	2.8	2.9
1979	2.8	2.7	3.0	2.9
1980	3.0	3.2	3.4	3.7
1981	4.0	4.1	4.2	4.5
1982	4.7	4.8	5.3	5.5
1983	5.8	6.0		

Source: Congressional Budget Office

Since the first quarter of 1980 we have seen a 100 percent increase in the gap between the TUR and the IUR. What has been true at the national level has been greatly exaggerated in many states, particularly those states with the highest unemployment rates. Table 2 compares the IUR and TUR of the 10 hardest hit states in June.

TABLE 2.—STATE TUR/IUR DIFFERENTIAL, JUNE 1983

State	TUR	IUR	Gap
West Virginia	17.5	8.45	9.1
Michigan	14.6	5.16	9.4
Mississippi	13.6	5.51	8.1
Pennsylvania	12.9	6.45	6.5
Ohio	12.8	4.83	7.8
Louisiana	12.8	5.83	7.0
Alabama	12.7	4.73	8.0
Illinois	12.7	5.55	7.2
Tennessee	11.1	4.01	7.1
District of Columbia	11.0	3.40	7.6

Source: U.S. Department of Labor

Of these States in June, only West Virginia, Mississippi, Pennsylvania, and Louisiana were eligible for Extended Benefits. Today only West Virginia and Louisiana were still paying benefits.

Why have the TUR and the IUR in recent times gone their separate ways? Though experts are not certain of all the factors, a major reason is certainly the length and depth of the current recession. This means that today's unemployed worker is faced with the most limited job market in our post-war history and thus a vastly greater percentage of the unemployed are unable to find a new job before

they exhaust their regular state benefits. This is borne out by the numbers. The average duration of unemployment for those collecting regular State benefits and the exhaustion rate, the percentage of those collecting their final check as compared to those first applying 26 weeks earlier, have both risen steadily throughout the current recession. Tables 3 and 4 illustrate this point.

TABLE 3.—*State UI exhaustion rates*

[In percent]

1978	26.8
1979	26.7
1980	33.2
1981	32.4
1982	38.5
January 1983	39.2
February 1983	39.8
March 1983	40.2
April 1983	40.3
May 1983	40.4
June 1983	40.6

Source: U.S. Department of Labor.

TABLE 4.—*Average duration of regular State UI benefits (weeks)*

1978	13.3
1979	13.1
1980	14.9
1981	14.5
1982	15.9
January 1983	16.3
February 1983	16.5
March 1983	16.7
April 1983	16.9
May 1983	17.0
June 1983	17.2

Source: U.S. Department of Labor.

The effect of this dramatic increase in the number of unemployed workers who have exhausted their regular State benefits is to detach the traditional relationship between the IUR and the TUR. This recent development was exacerbated by two changes in the EB law made by the 1981 Reconciliation Act. The first of these amendments eliminated those collecting EB from the calculation of the EB trigger number, effectively lowering the IUR for all States who qualify for EB payments. The second change raised the required trigger numbers by a full percentage point, making it significantly more difficult for States to qualify. Whatever your position on the Reconciliation changes, however, the fact remains that the IUR is no longer a good indicator of labor market conditions, particularly in States with high unemployment. The Administration's own recently completed study prepared by Dr. Gary Burtless of the Brookings Institution concluded that "the insured unemployment rate should be temporarily retired as a serious measure of labor market conditions."

I believe the facts are clear: the IUR no longer is an appropriate number to use in determining State eligibility for Federal unemployment compensation programs. The Extended benefit program was instituted to provide additional support for States that are experiencing very high unemployment. A cursory glance over Table 2 above shows that Congress' intent is on longer fact.

The question then becomes, what alternative measure could be used to measure labor market conditions to determine State eligibility for Federal unemployment compensation programs? One obvious alternative is the TUR. The TUR is the most widely accepted measure of unemployment, including both the short term and long term jobless. For this reason, Congressman Vander Jagt and I introduced H.R. 3575. In the Senate there is bi-partisan support for identical legislation introduced by Senator Levin.

H.R. 3575 would introduce an additional trigger into the Extended Benefits program based on the TUR. If the TUR in a State is 11 percent or greater, that state would automatically qualify for Extended Benefits. While all unemployment is tragic, this legislation recognizes the particularly catastrophic nature of an unemployment rate which exceeds the national average by a full percentage point or more. H.R. 3575 would not change the two amendments made in the EB law by the

1981 Reconciliation. It would instead compensate for the particular inadequacies of the IUR by building in a third trigger, namely the traditional unemployment rate. Individual States would have the choice to opt out of this new trigger.

The new TUR trigger contained in H.R. 3575 would work in following manner. In the states for which the Bureau of Labor Statistics compiles seasonally adjusted data for the TUR on a month-to-month basis, the 11 percent trigger level would be determined by looking to the most recently available TUR for those states. This provision would cover the 10 most populous states in the nation for which the statistical sample is large enough to make the monthly TUR an accurate measure of labor market conditions.

In the remaining states and jurisdictions, the 11 percent trigger would be determined by looking to the rolling 12 month average of the TUR for those areas, and by looking at the most recently available 1 month data. If an area's TUR is over 11 percent by both measures, it would be eligible for Extended Benefits. This two pronged test is an attempt to increase the sample size as well as to approximate a seasonal adjustment.

Finally, the new 11 percent trigger would apply to the highest tier of the Federal Supplemental Compensation program. Those states experiencing the greatest degree of economic distress would be eligible for the full benefits of this program.

H.R. 3575 recognizes that the TUR may not be the best measure of labor markets given the small state/large state differential. Thus the bill directs the Department of Labor to conduct a study to determine what common measure can be used for all states to better reflect labor market conditions. In the best of all possible worlds, we would conduct this study before any legislative changes are made. But we cannot afford to wait while people are suffering.

I am aware that the TUR has not previously been used to determine eligibility for Federal unemployment compensation, and I am not wedded to this particular approach. A second possibility might be to use the exhaustion rate as alternative trigger. I do believe, however, that some change in the present EB law is absolutely necessary if this program is to fulfill the role that Congress intended, that is, assisting the unemployed in the hardest hit States.

Congress and the Administration recognized the particular failing of the IUR as a measure of labor market conditions by enacting H.R. 3409, legislation prepared by this Committee, which capped the number of weeks a State could lose in the FSC program due to the failing IUR. I think the time is right for this Committee to move beyond this and amend the EB law to allow those States with very high unemployment levels to qualify for this program. I would hope that this could be done quickly, possibly in conjunction with the re-authorization of the FSC program also being considered today.

The Congressional Budget Office has indicated that the following States would be eligible for Extended Benefits during 1984 under the provisions of H.R. 3575; Illinois, Michigan, Ohio, Pennsylvania, Alabama, Louisiana, Mississippi, Indiana, Tennessee, and Kentucky. Nationally, 280,000 workers would be affected. Without some modification in the present EB program, thousands of unemployed workers in each of these States will be unable to collect Extended Benefits. There is no way for this Government to justify that result to people who are out of work and often on their financial backs through no fault of their own, who are used to working and who want only a chance at a job. The entire Government must rise to the occasion to find the resources to these needs, estimated under the approach in this bill by the Congressional Budget Office to be $1.028 billion in 1984, $371 million in 1985, and $323 million in 1986.

In conclusion, let me re-emphasize that the current law is causing real suffering. In Michigan, 56,600 people lost their Extended Benefits in June and another 10,000 were dropped from the FSC program because of the inequity in the IUR trigger. In Alabama, 15,000 people lost their Extended Benefits; 5,000 of these were unable to qualify for FSC. Another 3,000 lost their final two weeks of FSC payments. In Ohio, last May, 66,000 unemployed workers lost their Extended Benefits. And most recently in Pennsylvania, 41,600 were dropped from the program and in Mississippi 7,927 were affected. These are exactly those states that I believe Congress intended to help by creating the Extended Benefit and FSC programs. Let us not continue to allow the technical workings of the Insured Unemployment Rate to deprive those most in need of assistance.

Chairman FORD. Mr. Corbin.

STATEMENT OF STATE SENATOR GARY G. CORBIN, MAJORITY FLOOR LEADER, MICHIGAN STATE SENATE, AND VICE CHAIR, SENATE LABOR COMMITTEE

Mr. CORBIN. Thank you, Mr. Chairman and members of the committee.

State Senator Paul Henry and I come in a bipartisan spirit from our Michigan Senate to address you today. I am a Democrat. He is a Republican. I represent the Flint area in Michigan and he represents the Grand Rapids area. Two different cities. Similar side, different problems, but we are here with a common goal in mind.

I listened to a portion of the administration's proposal and I must, in a sense, digress from my statement to react to some degree.

One out of seven people in the State of Michigan is receiving social service assistance—one out of seven. Our rates have doubled in the last 4 years. The budget dilemma in the State of Michigan has been one fraught with barbed wire. Last year we were spending less actual dollars in our State budget than we were in 1979. Mind you, our caseloads were doubling in social services; the only State in the Union and perhaps one of the few units of government in this Nation spending less actual dollars 3 years after 1979.

Certainly we want an extension of benefits. Certainly we want an extension of a program, but I would like to point out a serious problem in the program as it affects Michigan. Congressman Levin has adroitly pointed out the extended benefit program is a very prominent program in our State, but having severe problems. It is extremely difficult for me to return to my district, the flood area that has had the dubious distinction of being the highest unemployment community in the Nation for perhaps 30 out of the last 40 months, and tell folks there that because of a triggering mechanism that lowers our IUR below 4 to a present 3.7, you are no longer eligible for extended benefits.

That is hard for me to explain when, in actuality, our total unemployment rate went up by 1¼ percent last month over the previous month—from 13.1 to 14.3.

I recognize the difficulty in moving swiftly with change and you must move swiftly here, but I ask that if you move swiftly that perhaps you do it on somewhat of a temporary basis so that you come back immediately to look even more thoroughly at a program.

Second, there have been disincentives in the program that have discouraged us in Michigan. We were given incentives to tighten up our eligibility list. We were told that we should repay one of the largest debts to the Federal Government. We did that. We raised our unemployment taxes and cut our benefits a total of $3.6 billion over the next 4 years. We felt that we have met our obligations and very soundly.

We have restrained our benefit levels. We have said that people could not qualify in our State over the last 3 years. Instead of having 14 weeks for a qualifying period, an employee must have 20 weeks. Instead of making only $25 a week, an employee in Michigan now must make $100 a week to draw unemployment benefits. And if you work for McDonalds, you will never draw. Sometimes the poorest are the poor.

We have done that because the incentive was there to do it. We had to tighten our eligibility standards but now we are told because we have tightened them and we have lowered our rate of IUR—because we have done that, we have suddenly triggered ourselves out of extended benefits or at least the lowest tier on Federal extension of benefits.

It is important to us that that gap between 14.3 and that IUR figure of 3.7 somehow be rectified. It is complex but we are in the business of attempting to address complexities.

Many of our constituents could care less about the complexities, but have to deal with survival on a day-to-day basis.

And finally, Congressman Ford, you have a namesake in my district. His name is Harold Ford also. He is not a Congressman. He is a schoolteacher. He is a close friend. He devoted his life to training so he could teach school. He has 12 years seniority. He is very likely to lose his job this year. It will be difficult for me to tell my friend that extended benefits will not be available to you even though Michigan has one of the highest total unemployment rates in the Nation.

We need your assistance and need it now.

Thank you very much.

Chairman FORD. Thank you, Senator.

Senator Henry.

STATEMENT OF STATE SENATOR PAUL B. HENRY, RANKING MINORITY MEMBER, MICHIGAN SENATE LABOR COMMITTEE

Mr. HENRY. Thank you.

Each of us, obviously, given what we have heard in the previous testimony, has removed ourselves from the written remarks and responded somewhat to the remarks we have heard. The issue isn't simply the extension of the FSC program, which I think we would applaud by the triggering mechanism, as has been so ably commented upon, discriminates in particular against those States who have had the highest and most prolonged and sustained impact in this very, very deep recession. Indeed, as has been pointed out in Michigan, we virtually had a depression.

I have been a legislator for only 54 months. For 44 of those months, I have been faced with double-digit unemployment. I represent what is regarded as the healthiest economic area in the State of Michigan, the Greater Grand Rapids metropolitan area. Our unemployment rate today is 11 percent—the healthiest part of the State.

We have cut social services benefits for 3 consecutive years. General assistance in ADC that our total costs have continued to go up as our caseload has mushroomed. We have operated our unemployment compensation system to date with what many have thought were abuses in entitlement and eligibility and in the process have found that we had cut ourselves away from participation in extended benefits in FSC entitlements.

The very fact of the length of the recession in Michigan means that we began to feel the effects of the recession before other States simply as a function of time. It has widened that gap between the IUR and the TUR between the percentage points. We

found in other States with less severe unemployment have gone directly to FSC without EB and in so doing have federalized the cost of their extended benefits program as it were and indirectly have put themselves in strange competition with the economic sector. That is one of the reasons why both of us are at least morally supportive of the intent in the bill proposed by Senators Byrd and Heinz because we think the coordination that they are facing of extended benefits and the FSC program has to be dealt with to end that abuse and finally because of the triggering mechanism, we would point out to you that in many cases many of those States with lower unemployment rates were going directly into the federally generally funded FSC and skipping the extended benefits program are at the same time entitled to longer and more weeks of support for the less severely hit unemployed in their own State.

So we very much appreciate the opportunity to be with you here this morning.

Chairman FORD. Thank you very much.

[The statements of Messrs. Corbin and Henry follow:]

JOINT STATEMENT OF GARY G. CORBIN AND PAUL B. HENRY, STATE SENATORS, STATE OF MICHIGAN

Mr. Chairman and members of the Committee, my name is Gary G. Corbin and I am a State Senator from the State of Michigan. I serve in the Michigan Senate as the chair of the Finance and Municipalities Committee, the vice chair of the Labor Committee and the majority floor leader. With me today, is my colleague State Senator Paul Henry. Senator Henry serves the senate as minority vice chair of the education committee and as a member of the labor committee. We would like to express our appreciation for the opportunity to present our concerns about the problems facing the long-term unemployed in Michigan.

In order to evaluate the significance of the issues that will be addressed by this subcommittee on Michigan, we believe it is essential that you understand Michigan's current economic situation.

The distressed automobile industry and the resulting impact on Michigan have received national attention, but we do not believe that the nation realizes the severity of the unemployment depression that encompasses the State of Michigan. The Michigan unemployment rate was 13.4 percent in August 1983 and has been in double digits for every month since 1980. In that forty-four month period, Michigan has had the highest State rate of unemployment in all but 10 of those months.

The auto industry has always been sensitive to the cycles of the national economy. Consequently, Michigan expects the recession/recovery cycle, where unemployment climbs sharply for a period of time and then is followed by a vigorous recovery. However, the events which began with the energy crisis of the mid-seventies and which were exacerbated by: Higher interest rates, foreign competition, and the lack of consumer demand have had a prolonged, and permanent, effect on the auto industry. In 1982, motor vehicle production was the lowest in 20 years and more than 40 percent below the output levels of 1978.

After three consecutive years of severe recessionary conditions, the State has lost four hundred thousand jobs. Because of the pervasive nature of the unemployment depression in Michigan, nearly every resident and business has been affected. In 1982, the number of jobless averaged 660,000. These levels of unemployment mean that in Michigan's labor force nearly one of every six is unemployed. Manufacturing employment has declined by almost one-fourth and construction by almost 40 percent between 1979 and 1982.

The job loss has dislocated many workers in all areas of the State. In August 1983, over 47 percent of the unemployed workers were of prime working age 25-44 and nearly two-thirds were male. The employment situation of females and minorities has seriously worsened. For August 1983, the female unemployment rate was 13.5 percent, the black unemployment rate was 27.4 percent and the unemployment rate of the black youth was a staggering 76.4 percent. Major areas within the State have also been subject to the severe impact of the recession. The Bay City area had an unemployment rate of 17.3 percent. The second highest unemployment rate was in the Upper Peninsula with 17.2 percent.

Since the late 1930's, the initial level of protection for people who lost their jobs in this country has been the unemployment insurance (UI) program. Because of the highly cyclical nature of Michigan's economy, it has played a critical role in maintaining some stability in the State's work force.

The purpose of the Federal supplemental compensation (FSC) program has been to provide benefits to individuals who have had an extended duration of unemployment, and who have exhausted their rights to to regular state benefits and extended benefits, during periods of high State unemployment.

Because of the continuing high rates of unemployment, and because EB is no longer available in Michigan (and most other States), we strongly urge that Congress extend, beyond September 30, 1983, the Federal supplemental compensation (FSC) program. If nothing else, such extension would be a short term solution for individuals who exhaust regular state benefits without EB.

However, Congress must be made cognizant of the fact that long term solutions are also needed because the extended benefit and Federal supplement compensation programs are not functioning as Congress had intended and are not providing benefits to those unemployed who are most in need of them.

The EB law passed by Congress included a triggering mechanism called the insured unemployment rate (IUR). When such rate reached a certain level (originally 4.0 percent), and 20 percent higher than the average of the comparable period for the prior 2 years, then the EB program would trigger "on". (The critieria for triggering "on" currently is 5.0 and 20 percent higher.) This triggering mechanism was intended to insure that EB would trigger "on" only when unemployment went up to a certain level and only when such unemployment was rising above the prior years' levels.

This, however, presented a problem in States which had high rates of unemployment for an extended period of time but such unemployment was not 20 percent greater than the average of the comparable 2 years which was also high. Failing to meet the 20 percent requirement resulted in failure to meet the trigger requirement for an ED program in such State.

In response to this situation, Federal law was amended to permit the States the option to trigger "on" without regard to the 20 percent requirement as long as the State's IUR reached a level higher than the original 4.0 percent (originally set by Congress at 5 percent but increased to its current 6 percent).

Such change, however, has not solved the problem that the IUR rates do not appear to properly respond during long periods of high unemployment. The problem exists because of the method used in calculating the IUR. In determining the IUR, only individuals receiving state regular benefits are counted; not counted are the unemployed who are drawing benefits under some other program, such as FSC or EB (EB claimants were originally counted), nor are those counted who have exhausted unemployment benefits under all available programs and are still unemployed. In addition, in response to Federal law changes, States have amended their law to make qualifying for State benefits more difficult; preventing such individuals from qualifying for State benefits has removed another group from the unemployed used to determine the IUR.

The problem can be best seen by comparing the IUR in a State (which may be declining) with a total unemployment rate (TUR) in that State. Michigan's TUR is currently 13.4 percent, but the IUR has dropped to 3.77 percent, and the disparity between the TUR and IUR has increased greatly, both in Michigan and nationally. Certainly, there must be something wrong with a program, which was intended to benefit the long term unemployed during periods of high unemployment, but which triggers off in Michigan which has a TUR of 13.4 percent and has had double digit unemployment for over 3 years.

We would thus urge Congress to amend the EB program by modifying the method by which the IUR is calculated, to insure that benefits are available in States which need them, and/or provide for an alternative method of triggering "on". An example of an alternative method is contained in H.R. 3575, introduced by Representatives Levin and Vander Jagt, which would allow a State to trigger on EB when the TUR is 11 percent or greater.

Lastly, the FSC program is a complicated and confusing program, the result of numerous amendments which were last minute reactions to a pressing need to extend the program. Few can understand the program and those who are responsible for administering it find it extremely difficult to implement its changes without delays resulting.

For those reasons, we strongly urge Congress to reform both programs, both EB and FSC, to simplify them and to ensure that they actually provide the benefits they were intended to provide.

More specifically, we urge that serious consideration be given to the types of reform measures contained in Bill S. 1784 which would consolidate the EB and FSC programs into one program, modify the method by which the IUR is calculated, permit a State to pay benefits on the alternative basis of that State's TUR, and provide that the Federal share of EB (currently 50 percent) progressively increase as a State's IUR or TUR increases.

Chairman FORD. Mr. Ken Morris.

STATEMENT OF KEN MORRIS, COMMISSIONER, MICHIGAN EMPLOYMENT SECURITY COMMISSION

Mr. MORRIS. Mr. Chairman, I am one who understands my feelings, and one of them is, were I to proceed without coming from this document, I might be much longer. So therefore, if you don't mind, I will read my statement.

Chairman FORD. You may proceed, Mr. Morris.

Mr. MORRIS. Mr. Chairman and members of the committee, my name is Ken Morris and I am currently one of the commissioners of the Michigan Employment Security Commission. I am a recently retired director of region 1(b) of the United Auto Workers. I am a former member of the National Commission on Unemployment Compensation.

I would like to express my appreciation for the opportunity of being able to talk about the problems of long-term unemployment in Michigan. I am endorsing the written testimony which has been submitted . you by Michigan State Senator Gary Corbin, by both Senators, in fact, and also by Sander Levin.

I would like to make these comments: In order to understand the problems that currently affect this controversy over EB and FSC programs, sometimes I think it well to reiterate several basic concepts of the unemployment insurance program as I have understood them. The UI system was created to provide adequate benefits as a wage replacement during periods of unemployment.

Benefits are payable as a matter of a worker's earned right in response to extraordinary economic conditions and additional duration of benefits should be provided.

In August 1983, Michigan's unemployment rate was 13.4 percent, which meant that 586,000 individuals remained unemployed. Since April 1980, a 41-month period, Michigan's total unemployent has been above 400,000 people for all but 4 months.

The number has been as high as 741,000 in December 1982.

As an additional indication of the severity of the problem of Michigan's unemployment, consider the following: Forty-seven percent of the unemployed are of a prime working age between 25 and 44. Sixty-six percent are male. The female unemployment rate is 13.5 percent. The black unemployment rate is 27.4 percent, with black youth having an incredible unemployment rate of 76.4 percent.

In the entire upper peninsula, Michigan has a rate of 17.2 percent unemployment.

Several years ago, a study published by the Johns Hopkins University indicated that over a 6-year period, a 1-percent rise in national unemployment has the following impact: over 36,800 total deaths attributable to the effects of unemployment; 4,200 admissions to State mental hospitals attributable to the effects of unem-

ployment; 3,300 admissions to State prisons attributable to the effects of unemployment.

Not included in these data are the effects of the stress of unemployment on alcoholism, marital problems, child abuse and other forms of human misery. Although this study did not have individual statistics, the tragic impact of the sustained level of Michigan's extraordinary unemployment is obvious. Neither did the study indicate that there are $25 to $30 billion loss in tax revenues to State and Federal Governments in increased outlays to support the unemployed.

Federal programs have been frequently utilized in the past to temper the effects of high level of State and national unemployment. In 1970, a permanent program was established by the Extended Unemployment Compensation Act of 1970.

This program remains in effect today. However, because of legislative efforts to reduce Federal costs, it is questionable, if the current triggering mechanisms are valid indicators of the State's eligibility for these programs.

The Federal supplemental program was also established to provide benefits in response to extraordinary levels of State and national unemployment. Unfortunately, this program uses the same faulty measure of unemployment to establish a State's eligibility; that is, the IUR.

Possibly the inherent problems with the IUR are best illustrated by the following example: In March 1983, Michigan's total unemployment rate was 17 percent, and the insured unemployment rate was 7.48 percent. If it is assumed that a claimant was eligible for the maximum benefit entitlement, the claimant could have received 26 weeks of State benefits, 13 weeks of extended benefits, 16 weeks of Federal supplemental compensation benefits, or at the current rate of unemployment compensation of $197, and that amounted to 55 weeks or could equal $10,835.

In August 1983, Michigan's total unemployment rate was 13.4 percent, and the insured unemployment rate was 3.77 percent. Michigan's extended benefit program triggered off in June 1983. The TUR decreased by 3.6 points while the IUR was cut in half.

If the same claimant could collect maximum benefits, the claimant would have received 26 weeks of State benefits, zero weeks extended benefits, zero weeks of FSC which expires on September 30, or in effect, 26 weeks times the $197 equals $5,122.

Therefore, the same claimants unemployed 6 months later would be eligible for only 47 percent of the benefits, even though both the State and national levels of unemployment continue to be excessively high.

Clearly, this illustrates that the current mechanism for triggering on and off is flawed. In reality, what does get triggered are the events in human tragedies which result in the statistics stipulated above.

There are two problems with using the IUR. First, it appears that those rates do not properly reflect prolonged periods of unemployment. As unemployment continues over time, fewer individuals are able to establish their benefit eligibility, because they lack sufficient credit weeks and an increasing number of claimants exhaust their benefit entitlement.

Although they may have some credit weeks, they encounter difficulty in attaining the required numbers simply because jobs are hard to find.

I have an example here which I would like to point out. We recently, as has been told to you by the Senator, we recently in Michigan adjusted, made changes in our legislation to meet the trust fund insolvency that we had, because the 10 percent—I am departing from the script, if you don't mind—the 10-percent penalty was reaching into millions of dollars, and very seriously affecting—and with very serious consequences to our funds, and to the economics of the State.

I make the point to you that as a result of trying to do something to meet that problem, everybody in that State, all elements of the community, all economic elements, made a contribution, labor and business, but I might point out to you, we also, in accordance with the example that we had, began then to make more difficult the ability for individuals to secure unemployment compensation based on increasing minimum credit weeks or length of employment, and also by increasing the amount of minimum wages to be able to cross the threshold of being allowed to draw unemployment compensation, and I say as a result of this, there are literally thousands and thousands of people who are denied unemployment compensation as a result.

I do believe that one day, hopefully the national standards could be developed to prevent this kind of pressure that denies people the right to live decently, at least not necessarily decently, at least to have food during periods of unemployment.

In a period of 24 months the minimum earnings necessary to establish a benefit years increased by 474 percent. Michigan has been widely publicized as having the most severe problem with unemployment, but because the efforts to restore trust fund solvency now has the second highest earnings requirement in the Nation.

Consequently, both of these factors will have a downward effect on the IUR at a time when the Federal Government raises triggered threshold levels.

I would like you to also be aware of a recently completed study done by the Brookings Institute which found that in 1982, Federal, State, and local governments made out less in unemployment insurance benefits when 10 million were jobless than in 1976, when 7.4 million were out of work.

I would like to further point out that since the current extended benefit, FSC neither provides adequate benefits nor responds to extraordinary economic conditions. I would urge Congress to amend the EB and FSC programs by modifying the method by which the IUR is calculated, to insure that benefits are available in States which need them, and/or provide for an alternative method of triggering "on."

An example of an alternative method is contained in H.R. 3575, introduced by Representatives Levin and Vander Jagt, which would allow a State to trigger on EB when the TUR is 11 percent or greater.

Last, the FSC program is a complicated and confusing program, the result of numerous amendments which were last-minute reactions to a pressing need to extend the program. Few can under-

stand the program and those who are responsible for administering it find it extremely difficult to implement its changes without delays resulting.

For those reasons, I strongly urge Congress to reform both programs, both EB and FSC, to simplify them and to insure that they actually provide the benefits they were intended to provide.

More specifically, I urge that serious consideration be given to the types of reform measures contained in Senator Byrd's bill, S. 1784, which would consolidate the EB and FSC programs into one program, modify the method by which the IUR is calculated, permit a State to pay benefits on the alternative basis of that State's TUR, and provide that the Federal share of EB, currently 50 percent, progressively increase as a State's IUR or TUR increases.

One last comment, the reference was made in earlier testimony that if legislation were developed that would require the State to come together, to take action within their State legislatures, the point was made this might call on 47 States to do it.

There are but 16 States, previous testimony by Mr. Van Erden mentioned, there were 16 States with serious economic and unemployment problems, and I am sure that provisions exist within those States to call emergency sessions if necessary to accommodate the needs of their constituencies, and I have a belief that if Congress were to make possible this process, that would require, that might require a State to call its legislature into session. I am sure they would if it meant meeting the needs of their constituents.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF KEN MORRIS, COMMISSIONER, MICHIGAN EMPLOYMENT SECURITY COMMISSION

Mr. Chairman, members of the committee, my name is Ken Morris and I am currently one of the Commissioners of the Michigan Employment Security Commission, recently retired director of Region 1B of the United Auto Workers and former member of the National Commission on Unemployment Compensation. I would like to express my appreciation for the opportunity to present my concerns about the problems facing the long-term unemployed in Michigan. I am endorsing the written testimony which is being submitted to you by Michigan State Senator Gary Corbin. I would like to make a few additional comments.

In order to understand the inherent problems with the current E.B./F.S.C. programs, I think it would be beneficial to reiterate several basic concepts of the Unemployment Insurance program.

1. The UI system was created to provide adequate benefits as a wage replacement during periods of unemployment.

2. Benefits are payable as a matter of a worker's earned right.

3. In response to extraordinary economic conditions, an additional duration of benefits should be provided.

In August 1983, Michigan's unemployment rate was 13.4% which meant that 586,000 individuals remained unemployed. Since April 1980 (a 41 month period) Michigan's total unemployment has been above 500,000 people for all but four months. The number has been as high as 741,000 (December 1982).

As an additional indication of the severity of the problem of Michigan's unemployment, consider the following: 47 percent of unemployed are of a prime working age 25–44; 66 percent are male; the female unemployment rate is 13.5 percent; the black unemployment rate is 27.4 percent with black youth having an incredible unemployment rate of 76.4 percent; and the entire Upper Peninsula has a rate of 17.2 percent.

Several years ago, a study published by Johns Hopkins University indicated that over a six-year period a 1 percent in national unemployment has the following

impact: Over 36,800 total deaths—attributable to the effects of unemployment; 4,200 admissions to state mental hospitals—attributable to the effects of unemployment; and 3,300 admissions to state prisons—attributable to the effects of unemployment.

Not included in these data are the effects of the stress of unemployment on alcoholism, marital problems, child abuse, and other forms of human misery. Although this study did not have individual state statistics, the tragic impact of the sustained level of Michigan's extraordinary unemployment is obvious. neither did the study indicate that there are $25-30 billion in lost tax revenues to state and federal governments in increased outlays to support the unemployed.

Federal programs have been frequently utilized in the past to temper the effects of high levels of state and national unemployment. In 1970, a permanent program was established by the Extended Unemployment Compensation Act of 1970. This program remains in effect today. However, because of legislative efforts to reduce federal costs, it is questionable if the current triggering mechanisms are valid indicators of a state's eligibility for these programs.

The Federal Supplemental program was also established to provide benefits in response to extraordinary levels of state and national unemployment. Unfortunately, this program uses the same faulty measure of unemployment to establish a state's eligibility, i.e. the Insured Unemployment to establish a state's eligibility, i.e. the Insured Unemployment Rate (I.U.R.).

Possibly the inherent problems with the I.U.R. are best illustrated by the following example:

In March 1983, Michigan's total unemployment rate was 17 percent and the insured unemployment rate was 7.48 percent. If it is assumed that a claimant was eligible for the maximum benefit entitlement, the claimant could have received: 26 weeks State benefits; 13 weeks Extended benefits; and 16 weeks Federal Supplemental Compensation benefits which totals 55 times $197 and equals $10,835.

In August 1983, Michigan's total unemployment rate was 13.4 percent and the insured unemployment rate was 3.77 percent. Michigan's Extended Benefit program triggered off in June 1983. (Note: the T.U.R. decreased by 3.6 percent points while I.U.R. was cut in half). If the same claimant were to collect maximum benefits, the claimant would have received: 26 weeks State benefits; 0 weeks Extended benefits; and 0 weeks Federal Supplemental Compensation (expires September 30, 1983) which totals 26 times $197 and equals $5,122.

Therefore the same claimants, unemployed six months later, would be eligible for only 47 percent of the benefits even through both the state and national levels of unemployment continue to be excessively high. Clearly, this illustrates that the current mechanism for triggering on and off is flawed. In reality, what does get triggered are the events and human tragedies which result in the statistis stipulated above.

There are two problems with using the I.U.R. First, it appears that the I.U.R. rates do not properly reflect prolonged periods of unemployment. As unemployment continues over time fewer individuals are able to establish their benefit eligibility because they lack sufficient credit weeks and an increasing number of claimants exhaust their benefit entitlement. Although they may have some credit weeks, they encounter difficulty in attaining the required number simply because jobs are hard to find.

The question. My question to the members of this hearing is, "If no one can explain the rationale for a declining I.U.R., what justifiction is there for using it as criteria for deterimining a claimants eligibility for additional unemployment benefits? I would also ask why less unemployment benefits were paid in 1982 than 1976, notwithstanding the fact that 2.6 million fewer individuals were unemployed in 1976 coupled with the fact that benefits paid in 1982 are over twice the amount paid in Michigan per claimant in 1976.

Since the current E.B./F.S.C. neither provides adequate benefits nor responds to extraordinary economic conditions, I would urge Congress to amend the E.B. and F.S.C. programs by modifying the method by which the I.U.R. is calculated, to insure that benefits are available in states which need them, and/or provide for an alternative method of triggering "on". An example of an alternative method is contained in H.R. 3575, introduced by Representatives Levin and Vander Jagt, which would allow a state to trigger on E.B. when the T.U.R. is 11 percent or greater.

Lastly, the F.S.C. program is a complicated and confusing program, the result of numerous amendments which were last minute reactions to a pressing need to extend the program. Few can understand the program and those who are responsible for administering it: find it extremely difficult to implement its changes without delays resulting.

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For those reasons, I strongly urge Congress to reform both programs, both E.B. and F.S.C., to simplify them and to ensure that they actually provide the benefits they were intended to provide.

More specifically, I urge that serious consideration be given to the types of reform measures contained in Senator Byrd's bill S. 1784 which would consolidate the E.B. and F.S.C. programs into one program, modify the method by which the I.U.R is calculated, permit a state to pay benefits on the alternative basis of that state's T.U.R., and provide that the federal share of E.B. (currently 50 percent) progressively increase as a state's I.U.R. or T.U.R. increases.

Chairman FORD. Thank you, Mr. Morris, and to the two State Senators and to our colleague who testified, all of you represented constituents very well in testifying before the subcommittee today.

I, too, am concerned, Mr. Corbin, you mentioned the Harold Ford that lives in your district, I am very much concerned about that person, as well as those who have been out of work seeking a job, but cannot find a job.

We all have expressed that genuine concern and hopefully, the latter part of this week, this subcommittee will move to mark up some legislation to get right to the bottom of the problem that we are faced with, and for those who have been in contact with their elected officials, as well as those who represent them in other public positions, I would hope and trust that this committee could move immediately to respond to the real problems that are out there, and when we do, hopefully we can do something with the provisions of EB as well as the extension of the FSC program.

We have to move swiftly before September 30 prior to the FSC expiration date, and I think that we can meet these targeted dates, and I think it is good to see the minority and the majority come to this Congress in a bipartisan way to express themselves and talk about the issues that are facing them.

Mr. Pease.

Mr. Campbell.

Mr. CAMPBELL. No questions, Mr. Chairman. I want to thank the panel for their testimony. It is well received. There is no question that there is a major problem, worse in some States, in yours, and in others, and it is something that has to be addressed.

The question of time does come into play. The chairman said we can address the EB and go ahead with it before the end of September. I don't know if that is possible, but I do think that it is possible to address the extension and address some of the other issues along the way. From our side of the aisle, we are very interested in addressing this problem also.

Chairman FORD. Mr. Campbell, the Chair will state once again that we are planning now for a Thursday markup session with the subcommittee.

The EB provisions and the Federal supplemental provisions, as well as a reach-back provisions and other issues will be before this subcommittee. As chairman, I cannot speak for the will of the committee, but we will have all of those issues before the committee on Thursday, and if not, a date within the real near future.

Mr. CAMPBELL. I didn't mean to imply that we wouldn't have them before us. I am thinking of the deadline in the total legislative process.

Mr. LEVIN. Mr. Chairman, I believe I would speak on behalf of both Congressman Vander Jagt and myself, in terms of the time

factor, while that might prevent some very long-term comprehensive total revision of extended benefit structures, we would hope that you would look at shorter term reasonable approaches to it.

I do not think they would be patchwork. They would be short term, and based on some hard data. It seems to me that while there might be some solutions that could not be logistically capable of implementation by September 30 relating to EB, there are others that really are capable logistically of being considered, discussed, and enacted, and I would hope, since this is truly a bipartisan issue, that both sides on the subcommittee would look at these various alternatives.

Thank you very much.

Chairman FORD. Senator Corbin, yes?

Mr. CORBIN. I would like to emphasize that, too, recognizing the immense difficulty of the entire, examining the entire program, at least a temporary solution of a unique problem facing a few number of States, certainly, I think that is desirable, for if just a simple extension occurs, it still places Michigan in the lower tier of weeks qualifying under that extension when we have one of the highest unemployment rates, which is extremely most difficult to explain back home, but that temporary solution that would be reexamined under the total examination of the committee's action in the months ahead is certainly needed.

The 11-percent example is one of those mechanisms that could very well be used.

Mr. PEASE. Mr. Chairman, I would like a clarification of that point, because I think if I understood it correctly, it is very important.

What did you say earlier that the IUR rate for Michigan is now?

Mr. CORBIN. 3.7 as of this last week, and the TUR went from, in the last month, went from 14.3 from 13.1.

Mr. PEASE. Under the administration's proposal, how many weeks of FSC would Michigan be eligible for, then?

Mr. LEVIN. We would be in the lower tier. I think it is 6 weeks.

There is that further irony that Michigan under the mentioned proposal of FSC extension would be at the bottom of the ladder, so the double injustice, and I would hope that we could correct, at least on a temporary basis, both of them.

I would hope, if I might say so, Mr. Pease, that the severity of one injustice won't prevent attention to what is really an even broader one in terms of the extended benefit program.

Mr. PEASE. Of course, I am the sponsor of a bill to restore the EB trigger language back to what it was before 1981. I really think we ought to do that, but it does need to be underscored as you have helpfully done today, that the inequities of the trigger mechanism affect not only EB, causing States like Michigan and Ohio to trigger off, but also serve to put Michigan, certainly one of the most long-suffering States in the Union, into the lower tier under the administration's proposal for FSC.

That doesn't make any sense at all.

Chairman FORD. The Chair would like to thank the panel for your testimony and your input today in the subcommittee hearings. Thank you very much.

Mr. LEVIN. We would like to thank you for your long attention to this issue. Thank you so much.

Chairman FORD. We started at 9 a.m. this morning. There are 21 other witnesses with five panels to come before the committee. We had anticipated working right through lunch, but the committee would like to announce that the committee would take a 20-minute break and come back at 1:40 for the purposes of the members here to have a break and also for the witnesses who will be coming forward also to have a break.

Somebody in the audience wants to be recognized?

Mr. ANDERSON. We don't have any money for lunch. Could your committee pick up the tab for lunch for some of the people sitting here today?

Chairman FORD. The committee has no provisions for that. There are no provisions for the committee to do that. If I am imposing on the witnesses, I will not take a break. If the panelist here wants to come before the committee now, as chairman of the committee, I will not take the 20-minute break and be happy to hear the other witnesses at this time, if that is what the gentleman is saying.

Mr. ANDERSON. You can take a break, but we don't have any money to eat lunch.

Chairman FORD. The committee will stand in recess for 20 minutes.

[Recess.]

Chairman FORD. The subcommittee will come to order.

We will resume now. The next panel will be the United Committee of Unemployed People of Baltimore, Md., and the National Unemployed Network, Mr. Jack Baublitz.

The Ohio Valley Unemployed Committee, Stephen Parsani, chairman.

The Steel Valley Unemployed Center, Homestead, Pa., Mr. Bob Anderson, director, and Mrs. Lilly DeShields, board member, Philadelphia Unemployment Project.

Please identify yourself.

Mr. BAUBLITZ. My name is Jack Baublitz.

Chairman FORD. You represent Mr. Keith Brooks?

Mr. BAUBLITZ. Yes, it has been a replacement. Keith had to go visit the Governor in Maryland and I am speaking for the National Unemployed Network.

[The prepared statement of Mr. Brooks follows:]

STATEMENT OF KEITH BROOKS, CHAIRMAN, UNITED COMMITTEE OF UNEMPLOYED PEOPLE

My name is Keith Brooks and I am here as chairman of the United Committee of Unemployed People, or UCUP for short. We are a grass roots advocacy organization of unemployed people in the Baltimore area, with both union and nonunion members. We started shortly over a year ago when the state of Maryland was ruled ineligible to receive federal funds for the federally funded Extended Benefit program, which is virtually nonexistent at this point. Our group, along with others, successfully lobbied and fought for the state of Maryland to come in and replace the Federal money and set up its own extended benefit program. After one year, this program is due to expire on September 17. Later today, our group will be meeting with the Governor of Maryland to urge him to continue the program, which funds over 10,000 people at this time.

We are here today to urge you, as our elected representatives to:

1. Continue the FSC program, which is due to expire on Sept. 31. The FSC program itself was set up partially in response to the outrageousness of the undermining of the Extended Benefit program at a time when our nation's unemployment figures went into double digits. And even with the FSC program, the number of weeks available to the unemployed in this worst economic crisis since the great depression still comes nowhere near the 65 week maximum available in the '75 recession, with fewer people out of work then. To eliminate the FSC program at a time when the official unemployment rate is 9.5 percent, which itself is an undercount, would be another example of the insensitivity of the current government to the millions of people in this land without a job and no source of income.

2. To change the eligibility formulas for the FSC and other programs. To more directly reflect the actual number of people who are without a livelihood. We find it hard to understand the reason to use a tricky concoction called the "Insured Unemployment Rate" which comes nowhere near reflecting the actual number of the unemployed. The change in calculating the IUR brought about under the Reagan regime is nothing short of diabolical. Only counting those who are collecting on their first 26 weeks of benefits as part of the "Insured Unemployed" guarantees that any time a large number of people are thrown out of work in a state, as happened in the winter of 1981–82, that these very same people will trigger off their own benefits once they reach their 27th week of unemployment. At a time when the average length of unemployment is at its highest level since that statistic has been recorded (well over 20 weeks) to exclude those out of work for over 6 months from the counted unemployed for the purposes of the trigger is nothing if not consciously malicious.

3. We are also here to urge you, in our loudest voice possible, to not just continue the present program, which won't be very hard to do, or to change the eligibility formulas, but to increase the number of weeks available through the Federal program. The way in which the unemployed in this country are treated is a scandal. Hard working men and women who have worked all their lives have lost everything they have lived and sweated for. Homes and cars along with hopes and dreams have been crushed by a government that thinks nothing of allocating billions of dollars to add to an already overpowering defense arsenal, yet fights like it is going bankrupt when funds for unemployment benefits are talked about. We want work—jobs are answer to the problem. But if there are no jobs, we need an income we can live on, for as many weeks as necessary. It is a bizarre idea that people should only get unemployment benefits for a set time to begin with—as if you don't have a job by the end of 26 or 39 or 52 weeks, it is your own tough luck. As if people don't want to work and be productive and be providing for themselves through their own labor. The American people are a very proud people, and the work ethic is deeply ingrained. And yet there are millions of us who have been unemployed for more than 52 weeks, more than 18 months, and too many for over two years. Don't tell us its because we don't want to work—its because there are no jobs.

Members of Congress: The recovery reported in the press is a one-sided story. For every person that our group knows who has gone back to work we know someone who has exhausted all benefits. Yes, there has been a pickup in business activity, but without a corresponding increase in people returning to work. This was reflected in recently released statistics showing one of the largest jumps in productivity in years—in other words orders might be picking up, but the labor needs are being met with a smaller workforce than before. The average workweek hours has also gone up—in other words, overtime and overemployment for some, and continued unemployment for the rest.

In the 1960's, 3.8 percent was considered full employment. In the mid seventies this was revised up, I believe, to somewhere over 5 percent. Are you willing to consider 9.5 percent full employment, "recovery"? 8.5 percent? 7.5 percent? The point is until this country can gainfully employ all those who need to and want to work, and right now it cannot, there is a need for an unemployment insurance program that allows people to survive at some decent standard of living. Right now, the current one is failing miserably.

The American people have tremendous patience and an almost built-in optimism. During the depression that started in 1929, it took a few years for people to realize things were not getting better—and it resulted in a great social movement for unemployment relief. Millions of us are going to go through this "recovery" without ever having returned to work. Our patience is wearing thin, and our optimism has faded. We want something done—Now.

Chairman FORD. That is fine.

Mr. BAILEY. I am Ed Bailey, speaking for the Philadelphia unemployment project.

Mr. ANDERSON. My name is Bob Anderson, speaking for the Steel Valley Unemployed Center, from Homestead, Pa.

Mr. SCHRAMM. My name is William Schramm, speaking for Steve Paesani of the Ohio Valley Unemployed Committee. He is sick and couldn't make it.

Chairman FORD. Mr. Baublitz.

STATEMENT OF JACK BAUBLITZ, NATIONAL UNEMPLOYED NETWORK

Mr. BAUBLITZ. I have been asked to speak for the National Unemployed Network. I am coordinator for the Erie County Unemployed Council in Erie, Pa., where in June we had a national conference and organized the National Unemployed Network.

At that time there were approximately 300 unemployment people representing 18 States from across the country and 35 different unemployed councils.

The unemployed people are organizing, and we are growing daily. We are recognizing that we are in jeopardy and serious plight and we must organize in order that we might be able to see to the things that we have to have in order to survive.

Councils are struggling across this country, sir, in all fronts. People are losing homes, through no fault of their own, in Cleveland, Pittsburgh, Gary, Indiana, and other places in this country. Unemployed Councils are struggling to save people from losing their homes and organizing food banks, feeding the people that need to be fed in our country right now who are suffering.

If I might mention just one moment about feeding people, in Erie, Pa., in the county, a population of approximately 250,000 people, there are 104 food distribution points at this very time. These people distribute small portions of food to people. Over 30,000 people in Erie County are dependent upon these bags of food. Hundreds wait in line every day from our office, and only two blocks away is one of these food distributing centers and hundreds of people a day line up there, sir, believe me, less than a half a bag of groceries; but that is how desperate our situation is.

Something we have not been hearing too much about, perhaps everyone knows it is a fallacy, is that we have no safety net. People are falling from their hard work status to the point of losing everything. What kind of people are we talking about?

We are talking about the hard-working middle-class who used to be considered the backbone of this country. Our backs are breaking. America's back is breaking. People that we depended upon are losing everything they owned, and after 10, 15 years of labor. We walk out of that employment office for the last time, there is no job in sight and our only recourse is to go to the welfare office for that below poverty wage funds that are available to us there. A number of times things were mentioned here, Michigan, welfare reform laws and also Pennsylvania's welfare reform law. We have lost. Many people no longer qualify for welfare.

Many of us who have worked a long, hard time to acquire a new car, a home, perhaps even a piano or an organ, those things don't

allow us to qualify for welfare. We have to lose everything we have, insurance policies beyond a certain point. We cannot have our assets. Before we can get an income, we have to lose everything that we have worked many, many years for. We are beginning to wonder if anyone cares.

Where is that safety net?

Sir, our unemployed council has been organized for 6 months and at least once a month we spend a week in front of the employment office talking to the people who are suffering.

I wish—I know you folks are very busy but I wish you could spend a day just talking to those folks rather than just a typical town meeting. Look into their eyes. The eyes tell it.

There is a glaze. There is a hopelessness in their eyes. It is obvious, and then you ask the embarrassing and the hard questions that you really shouldn't ask unemployed people. You ask them how many weeks do you have left before your benefits are gone, and then the next obvious question, what are you going to do then?

So many of us are so frustrated and we don't believe what is happening to us, that we are not even dealing with it. We only have 2 weeks left, only 2 and we haven't even started planning. We can't believe that we are going to go to that welfare office. Something is going to save us but it doesn't.

Looking for those jobs, hundreds of applications, rumors of jobs, thoughts of going to Texas, thoughts of going to California. Where is that dreamland that used to be where there is always those jobs? Where can we go? Where can we go? What are we going to do?

I ask and we ask ourselves, whose fault is it? We are ready to work. People are taking miserable low-paying jobs that they would have never thought of taking a year or 2 years ago, but now they are taking them and still, it is at subsistence or lower than poverty level.

Poverty level for four is almost $10,000, minimum wage. That is poverty. Where do we turn to? Whose fault is it? Is it big business? They are doing what they are supposed to do? They are making a profit.

We watch the stock market. It is doing beautifully but we are still not working. We turn to our Government. Whose responsibility is it?

Somebody has to accept some responsibility for what is happening to us, because we are willing to go to work. We are willing to go to work.

Just give us a job, and until we get a job, give us at least a reasonable wage.

I was encouraged all day with the exception of the witness for the Department of Labor, the administration's witness, and I was encouraged about what people were saying in admitting that this recovery is not a reality at this point and it is not going to be in Pennsylvania, Pittsburgh, Cleveland, Buffalo, West Virginia, in Michigan for a long time.

Please, you have got to present a comprehensive package. Don't cop out and just renew FSC. That is what the administration wants, and then we have a struggle.

Now is the time to get the kind of package we need.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF JACK BAUBLITZ, NATIONAL UNEMPLOYED NETWORK

I've been asked to speak on the behalf of the National Unemployed Network.

I am the Coordinator for the Erie County Unemployed Council of Erie, Penna. Erie was the Host for a 3-day Organizing Conference in mid-June. Over 300 people attended from across the country, representing 18 states and and 38 Unemployed Councils.

We are organized—and are growing daily. We have no choice; and, it is apparent that there is little concern for our plight.

Councils are struggling across the Country—Pittsburgh, Cleveland, Gary, and others have worked to save their fellow worker's homes. Yes, people are losing homes through no fault of their own.

Yes, people are standing in line at the moment for a small sack of Food. In Erie, 100 distributers of Food are feeding 30,000 people . . . bag . . . by bag . . . by bag.

Where—Please tell me where this "Promised Safety Net" is. Our Council gets calls every day from people with basic needs . . . and no place to turn. There is no where in the Community for them to turn . . . Healthcare, Housing.

What kind of people are we talking about? We are talking about the hard-working, middle class who are in the process of losing everything they have worked so hard for. 10 or 15 years invested . . . and lost in just a few years of Unemployment. Where is that Safety Net?

Spend a day or two in front of your local Employment Office. (We refer to this as the Unemployment Office). Talk to the people, look at them . . . in the eyes . . . it tells in the eyes. There's a glazed, bewildered look. Ask how many weeks of Benefits they have left. Ask what's next. Listen to the hopeless reply . . . the Hundreds of Job Applications filled . . . the rumors of jobs . . . maybe, a move to new location. Hopeless . . . the Welfare Office is what's next with its Proverty-Level standard. And, what if you don't qualify? There's Welfare Reform; you know what that is. That is a way to "disqualify" needy people. Where is this recovery?

Who's fault is it? Not ours. We are ready and willing to work. Business? They are making a profit. They seem to be doing great . . . just watch the Stock Market—We do. But what about us? Is it our Government—Your are just doing what you're suppose to . . . but you are making so much . . . and we have nothing. Who do we turn to? Doesn't both Government and Business have an obligation to us. We used to be referred to as the "Back Bone" of America—America's "back" is breaking. Where's the Safety Net?

I must stop—time is short.

What we need is a Comprehensive Benefit Package. If you really believe in the Recovery, then what do you have to lose. Save us, get us through the Winter . . . don't just renew the FSC. We need more weeks of Benefits. No more "bandaids," please. Straighten out the arbitrary trigger mechanism. Give us that Safety Net. It's in your hands. You cannot refuse.

Chairman FORD. Thank you very much.

The Chair will now recognize Mr. Anderson.

STATEMENT OF ROBERT ANDERSON, DIRECTOR, STEEL VALLEY UNEMPLOYED CENTER, HOMESTEAD, PA.

Mr. ANDERSON. First, I would like to let everyone know and give our thanks to the members from the United Auto Workers. They donated some money to buy lunch for folks who couldn't afford it. That is real solidarity, people sticking together to help each other out.

Chairman FORD. The subcommittee will serve one final notice that we will not have any more outbursts from the audience at this time. This is the Subcommittee on Public Assistance and Unemployment Compensation, and I certainly share with you your feelings.

We are here to hear some 18 or 19 additional witnesses who must testify today, and we are trying to move this subcommittee to a markup session before this week is over.

I would appreciate if you would work with us and cooperate at this time.

Mr. ANDERSON. We have a statement that our center wrote up which I will read to you which I think it is pretty good.

It is an insult for us to come here today. At our unemployed center we had a debate about appearing today. Some said yes, some said no. Basically we want to know why we have to come beg for life support programs that are ours by right. It is indignation hurled upon injury to need mortgage, medical and unemployment compensation when the Government spends over $38 million per hour on military arms. Like before World War II in the Depression the Government said there was no money for benefits but when the war started everyone had a good paying job. Are we at the same point again?

It is insulting to us who due to no fault of our own have been discarded by the banks and bosses of industry to have to come scraping for minimum wage jobs. Some of our members said go ahead, they will listen and treat you as a joke when you leave. You see, we remember last summer (1982) when Congress passed the unemployment extension bill which cut off thousands of needy workers and at the same time raised our taxes and gave Congress a raise.

We are watching this thing pretty closely, and there is a lot of struggle on it.

Unemployment isn't a joke. There were more people unemployed in the 1974–75 recession and they got better benefits than we get now in 1983. We know the attempt is to throw a few crumbs while you scheme what and how to cut and eliminate us. When Congress pays $22 billion to the farmers not to grow food that we desperately need, a block of cheese only makes us fighting mad. Perhaps you are thinking we will crawl away for welfare. But we can't do that. Into our office every day we see the effects of this. What am I to tell the 15-year steelworker who came in last Friday whose job was moved overseas by the bankers with their investment capital. What am I to tell him after he lost his house on yesterday's sheriff sale because welfare can't help him with a wife working part-time. He goes home to talk to his wife and says forget it. We got to split up because I have no more unemployment checks coming in and I can't even make a minimal payment on the thing. That makes us feel bad.

We can see Congress pays $22 billion to the farmers not to grow food. There is something out of place here and that makes us come back even harder and harder. But that is past now. We had a plan worked out to save his house for a month but his family collapsed from the 2 years of no job. When unemployment ran out 3 months ago it was the last straw. His wife and kids split, the VA owns his house now. Soon he will be gone. What are we to say? Wait until the President and Congress gets over its anti-Soviet orgy and there will be help? No, because even then it will take a major miracle to save him. And you're not inclined to help.

Another worker we have been trying to help find a job came in for some meat and milk. He had been living on saltines for two weeks. We found him a couple bags of groceries. We have done our part but it is you who have the nation's food supply at your com-

mand in the Department of Agriculture's surplus warehouses. We also know it is not the Russians taking our jobs away to low-wage nonunion countries. We would like to see Reagan spend as much time talking about the unemployed people as he does Russia.

While Reagan may wish us away with his focus on foreign policy, we will still be here. In our area we will pick up 5,000 more steelworkers next month when United States Steel shuts down two more plants. You guys have the Nation's nutritional sources, through the Agriculture Department, at your fingertips. We want you to put that into effect immediately.

When these workers come in looking for a "jobs bill" job, you know what we will tell them if you pass another token bill like last spring. We will tell them first it wasn't nearly enough, and then we will tell them how you passed the money down through block grants and not CETA so the money wound up not in the streets for jobs but in the budgets of preplanned construction projects of local governments who used the money to fund favorite son contractors and land developers. It didn't help us at all. In our area the money didn't get to the people on the street and the people in the community that needed it. It went to private developers to buy an apartment complex, to build it.

You had better get ready to spend a megabillion dollars jobs bill because the American dream has turned into the nightmare of holy hell out in our area. Last month two more unemployed union members committed suicide. We already have more time on our hands than we have hope. Your trigger mechanisms of insured jobless rates to disqualify us from help is about to be replaced by a new trigger mechanism because we will not sit by while our families go under. We have thousands of people like us here today who have no benefits at all coming in, yet we are not counted as unemployed.

Mine ran out in June, unemployment compensation. I don't even count as a figure anymore.

The real rate of unemployment in Pittsburgh is probably about 20 percent.

We won't tell you how to word the new legislation, many of the bills have good parts, that is your job. We will tell you that it had better be a radical departure from what has been coming down. You better find a way to count correctly and true and pick up all those eliminated in the past year.

We know that it is the Federal guidelines which cause State guidelines to cut off more and more of us. In Pennsylvania last month we lost 45,000 workers from the rolls of unemployment because of the mumbo-jumbo formulas set up for the insured rate. This crap only adds fuel to the fire of the people coming into our office. Some are now working two minimum wage jobs, or have two to the family and are counted as working but they are not working. They are stewing mad because they could have lived better on unemployment than on these miserable jobs springing up in Reagan's new recovery. While the parents are at work the children call us up asking for food. We are telling you increase help, don't decrease. Do you realize what is happening out here. Some of our members have given up drivers licenses and phones to be able to pay another bill, or buy food. A 59-year-old steelworker forced to retire due to a

plant shutdown can't get an operation for his wife because they own a life insurance policy. Welfare says they must sell before being eligible for a medical card. No wonder this man says he can get more help dead than alive.

The people who ran out of benefits last month and the months before have gone through bankruptcy and can't find a job. We have lists of them. These are the people in our area who have worked years and have nothing now. These are the people you had better figure out a way to pick up or find a job real soon. This form of government doesn't make much sense any longer to us when we can't get any help while the rich are getting more and more.

We can't just keep extending the benefits. We got to go back to work. Last summer's extended benefits program cut out many people who couldn't find jobs. Some of those people had to move out of the area.

Our committee is looking at this thing. We can't get any help and we can see the rich getting everything. We want a job and we want some income to live on.

Chairman FORD. Thank you very much, Mr. Anderson.

Ms. Lilly DeShields.

What about Mr. Paesani?

STATEMENT OF WILLIAM D. SCHRAMM, MEMBER, OHIO VALLEY UNEMPLOYED COMMITTEE

Mr. SCHRAMM. I am here for Mr. Paesani. Mr. Paesani is ill, and I am William Schramm, I am filling in for him.

I didn't know until late last night that I had to make a statement, so I put a few collective thoughts on paper during the bus trip up here this morning.

On November 4, 1982, I was laid off from the Valley Camp Coal Co. in Triadelphia, W. Va., after 32.5 years. For 22 of those years, 1957 to 1979, I was the mine clerk at the Alexander Mine in Moundsville, W. Va., which was the oldest working coal mine in the United States. It was shut down for lack of orders in 1979.

The coal industry in the Ohio Valley has gone by the wayside. The UMWA of district 6, which takes in the northern panhandle of West Virginia and eastern Ohio, has only half the membership that it once had. The company I worked for has all three of their mines in northern West Virginia shut down.

The Wheeling area lost Wheeling Machine Products this past week when they closed down and moved their equipment to Arkansas. There was a loss of around 360 jobs. Steelworkers have been laid off along with concrete workers and truckers, among others.

I am 52 years old, too young to retire, and too old so that nobody wants to hire you. That old song, "Nobody Wants You When You Are Old and Gray," really holds true. I took a résumé to a company that was wanting a shipping clerk.

I have over 20 years' experience as a shipping clerk, but they never called me in for an interview. Even the U.S. Post Office doesn't want to hire the older worker. I took a civil service exam a while back for a post office job. It was a test on how well you can memorize in an allotted time. Being out of school 35 years made that no easy task for me.

Being unemployed is quite an experience. You wake up in the middle of the night, can't sleep, worry how you are going to pay this or that bill. You can only rob Peter to pay Paul so often, then it catches up with you.

In little over 2 years, my house would be paid for, but if you don't extend unemployment benefits, I will probably lose both house and car. To me, my car is a necessity, not a luxury. For want of a better phrase, charity begins at home.

Instead of sending so much money overseas, the poor and unemployed of this country can use all the help they can get from you. My unemployment check is $154 a week, and that certainly is not a very good standard of living.

Too many laid-off workers have exhausted their benefits, so I am luckier than a lot of them. Our Unemployment Committee feels that new benefits should be given to those whose benefits have run out, also.

We feel this Government has to help the unemployed, because nobody else is going to. To slightly paraphrase from a man I admire, Senator Barry Goldwater from Arizona, "In your heart, you know it is right. Help the unemployed."

Thank you.

Chairman FORD. Thank you very much.

At this time, the Chair will recognize Mr. Edward Bailey.

STATEMENT OF EDWARD BAILEY, MEMBER, PHILADELPHIA UNEMPLOYMENT PROJECT

Mr. BAILEY. I am a member of the Philadelphia Unemployed Project. I am taking the place of Mr. Joe Schwartz, who was representing PUP and the United Auto Workers. He had worked 28 years on his job before it closed. Joe has 4 weeks left on his unemployment checks. He is unable to join us because he has a job interview today. I hope his absence is not in vein. I hope he makes out well on his interview.

I am 46 years of age and I have worked all of my life, even at school age to help my parents. My last job I worked for 17 years and I am collecting unemployment for the first time in my life.

I am on unemployment compensation because there are no jobs, as far as jobs are concerned paying a decent salary that you can live on. You need money to pay utilities, mortgage, food, children, repairs, transportation and other things. I am on unemployment through no fault nor through any choice of my own. To tell you the truth, I would rather be back on my job, which took the last 17 years of my life.

I am now down to my last 5 weeks of compensation if there is no extension passed. When I got laid off, I was told that I could get 55 weeks of benefits. As I said before, this is the first time I have ever in my life had to apply for unemployment. Now all of a sudden, they tell me I only have 30 weeks, which means I only have 5 weeks to go.

Why are they doing this to us? They tell you that you have 55 weeks or 53 weeks of benefits and then all of a sudden, they cut you down to zero.

Things are no better for me and the people I know. We are being told to starve or go on welfare. Well, I don't want welfare and I am not about to starve. Welfare to me is nothing but a disease. It is contagious.

I am here today representing tens of thousands of unemployed Philadelphians and we say, give us the extension that we are due and that we really need.

Reagan says the economy is getting better, but he didn't say for who it was getting better for. Unemployment in Pennsylvania is 11.8 percent and it is still 9.5 percent nationwide. Is this called a recovery?

In 1975, when unemployment only reached 9 percent, the Government paid 65 weeks of benefits. Now with a rate of 9.5 percent, you are going to give 30 weeks.

On behalf of PUP and the national organization of the unemployed, the National Unemployed Network, we demand the Congress to:

One, maintain the Federal supplemental compensation for 1 more year;

Two, reinstate extended benefits by stopping the Reagan rule changes;

Three, add 13 more weeks for everyone, including anyone who ran out of their checks and still hasn't found a job; and

Four, pass the Hawkins public service jobs bill.

I am a working man. I want to work. But until jobs are available, don't try to destroy my dignity and only source of income.

Chairman FORD. Thank you very much, Mr. Bailey.

Mr. Anderson, how long have you been unemployed?

Mr. ANDERSON. My mill shut down September of 1981.

Chairman FORD. How many weeks of unemployment compensation have you received since you have been unemployed?

Mr. ANDERSON. I think it was the maximum. I used up a claim of 26 weeks, plus 13, plus 12.

Chairman FORD. So you have received 26 weeks of State unemployment benefits, the extended benefits, which was 13 and then the Federal supplement benefits was what, 12?

Mr. ANDERSON. I think it was 12 at the time.

Chairman FORD. It was a total of 51 weeks?

Mr. ANDERSON. Right.

Chairman FORD. Were you affected by the reach-back provision that was in the last extension of the supplemental compensation bill?

Mr. ANDERSON. I could not hear you, sir.

Chairman FORD. We had what you call a reach-back provision in the last extension of the Federal supplemental program. Were you affectd by that? Did you receive any of those weeks?

Mr. ANDERSON. The program last summer, you mean?

Chairman FORD. Yes.

Mr. ANDERSON. I was out at the time and was picked up on that. I think because it went back about 3 to 4 weeks.

Chairman FORD. Have you received any checks since March of 1983?

Mr. ANDERSON. Up until June of this year.

Chairman FORD. Up until June of this year?

Mr. ANDERSON. Right.

Chairman FORD. And until June, you completed your Federal supplemental?

Mr. ANDERSON. Right, the program is complete.

Chairman FORD. What about you, Mr. Bailey? How long have you been unemployed?

Mr. BAILEY. Since November of 1982.

Chairman FORD. Are you presently receiving unemployment compensation?

Mr. BAILEY. Yes, I am. I have about 5 weeks left if this bill doesn't go through.

Chairman FORD. In other words, if the extension is not passed by the Congress, then you would only be eligible for 5 more weeks.

Mr. BAILEY. I won't have anything.

Chairman FORD. But you will not go beyond that, is that correct, 5 weeks that you are entitled to? You have had 26 weeks of the State unemployment benefits. You had the 13 weeks of extended benefits?

Mr. BAILEY. I have not had any extended benefits.

Chairman FORD. You did not receive extended benefits, so you are moving directly from the 26 weeks of the State unemployment compensation benefits now to the Federal supplemental compensation benefits which you are drawing now, is that correct?

Mr. BAILEY. I guess that is what you would say. I really don't even understand it.

Chairman FORD. How long have you been drawing your benefits?

Mr. BAILEY. Well, they started me in April, since April.

Chairman FORD. You probably have drawn State benefits and now you are receiving your Federal supplemental benefits, but you only have 5 weeks to go.

Mr. BAUBLITZ. I am Jack Baublitz and I have been unemployed well over 2 years. I was one of the fortunate people that happened, during my first claim—I draw 2 full years of claims—and during my first I was fortunate in earning 6 times my benefit rate during 1 quarter as a substitute teacher, which qualified me for the next year. I collected full benefits and my last checks were received in June.

I have been in social service. I made a serious blunder. Prior to the election of the current administration, I went back to school to improve my skills. I have been in social service for years and by the time I finished my advanced degree and came back out, social service had been gutted. There is just no social service jobs available. Even entry level positions.

Chairman FORD. Well, drawing unemployment compensation benefits, does it stop someone from seeking a job or trying to find a job?

Mr. BAUBLITZ. It certainly does not, sir; on the contrary. And I assume that the rules are the same in other States as well as ours, that we are required when there was extended benefits, which are no longer there, and FSC, that we were required to go out and have three job applications per week. People are searching and searching.

The unfortunate thing for many people, though, is that it is very frustrating. The options are so narrow. There is only so many

places you can go in a community our size and they are not even taking applications probably at 75 percent of the hiring spots that you would go to.

Chairman FORD. From either one of the four witnesses at the table, whether you would receive State unemployment benefits, extended benefits or the Federal supplemental benefits, is there any time that you have known anyone or yourself, a neighbor or friend who worked with you on your job who is now unemployed, at any given time while receiving unemployment benefits, that they just did not seek employment to identify another job?

I have heard talk from the administration at certain times that the extended benefits that the unemployed are receiving, that they are not enthusiastic about going out seeking and finding employment. I don't think that is the case, but I just would like to know from the witnesses who are at the table now.

Mr. ANDERSON. Most of the people I know want to work and have been out trying to find good jobs. There is a living standard that people have been used to which we have to maintain. There are plenty of jobs at McDonald's at $3.45 an hour, that this is a new feature of Reaganomics: Employment is working at McDonald's and running a cash register or something like that.

I know of many friends who have been forced into taking those jobs right now and they are losing money because they are working. They make less on the job than they could make in drawing unemployment compensation to keep the living standard up.

When the living standard falls, the bills can't be paid, tensions develop, people fight, tensions develop with the neighbors and there is a solution there which has to be some prosperity and maintaining of people's lives. I know people who are doing those jobs and they are out there working at them.

I had one before I got this job in the steel industry and I really liked it and I am hoping that that will come back, but I don't think it is going to. Our area, like Jack says, we have steelworkers walking the street, railroad workers, construction workers. There is no work there.

Our area is what you call hard hit. It is abandoned. The captains of industry have left and all they are coming in with is low-wage and a few high-tech jobs for some engineers. For most of us, there is no jobs there.

Mr. BAUBLITZ. Sir, if I could add one thing. It does not specifically address your question, but one of the serious problems that we are facing too is that many of the people of the occupations are so obvious for us is the machinists, the welders, the foundry workers. Those folks, there is no such jobs for them. They have been in those positions now for years and years and the projections are, like for a machinist, they are going to robotics so rapidly now, there will probably be no call for machinists.

Believe it or not, even in our own community they were training machinists up until about 2 months ago and we had thousands of them unemployed. It is such a serious, deep-rooted problem. We have thousands of people that need reeducating, potentially maybe even to the state of remedial education at the beginning, and then working our way up into something. We don't even know what to train for.

I sit on the PIK council on the Job Training Partnership Act. I sat on that and watched them choose what they were going to train people for, and it was just pulling things out of the hat. They don't know what is going to be in our community to train people for.

Unfortunately they did not have a real serious problem because we only had 210 slots for a community that has well over 20,000 unemployed workers and another 20,000 people on welfare, 40,000 people, and there is 210 training slots as a result of this year's appropriation. I just read that there is a potential that that may even be cut. Two hundred and ten slots and there are thousands of jobs that have been eliminated that will never come back. That has a powerful impact on workers.

They are going out. They can't believe—they are 45, 55 and they know that they will never go back to what they knew and they don't even know where they are going to go. It is frightening. It is scary. It drives us crazy. It does. It literally drives people crazy.

The family struggle, the abuse, it is just what we deal with in our office. We have a hotline. We take calls from unemployed people trying to help them and they call us because we are unemployed and there is so little we can do. We try to turn them to agencies and there are no agencies that can help them. They need food. They need housing. They need child care and the agencies are not there. They have no help. They have nothing. They don't have an idea of going to get a job. All they have got is the drug, the one drug that we offer to all of us is that television. They can lay on the couch and watch that tube and try and escape and forget about the calamity that is impossible for them to deal with.

We need people like yourselves to help us. These folks need help.

Mr. ANDERSON. To add to that, in our area they trained 33 steelworkers last year who got laid off in the first round of layoffs. My mill was shut down too. Those 32 men and 1 woman, and they are not working now. They trained them to be technicians in these new, high-rise, modern office buildings, but that union is taking off.

A friend of mine went and took out a private loan to go to a computer school so he could get degrees and skills. So he comes out now and there is no jobs for him. People being trained for jobs, they are already laying off from.

Mr. BAUBLITZ. It is frightening.

Chairman FORD. Ms. Kennelly.

Ms. KENNELLY. No questions.

Chairman FORD. The committee would like to thank the panel for testifying and giving your testimony before the committee today. Thank you very much.

The committee would like to call up the AFL-CIO, Mr. Bert Seidman, director of the department of occupational safety, health and social security, along with Mr. Robert McGlotten, associate director of the department of legislation. The international union, United Automobile, Aerospace and Agricultural Implement Workers of America, UAW, Mr. Dick Warden is accompanied by Ms. Betty Robinson and Mr. Leon Potok.

I would like to welcome the group before the committee today. You are not strangers before this subcommittee. We see each other quite a bit on many, many issues and I would like to personally welcome all of you before the committee.

At this time, the Chair will recognize Mr. Seidman.

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH AND SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS, ACCOMPANIED BY ROBERT McGLOTTEN, ASSOCIATE DIRECTOR, DEPARTMENT OF LEGISLATION

Mr. SEIDMAN. Mr. Chairman, I am glad to be here. My name is Bert Seidman, director of the department of occupational safety, health and social security.

Chairman FORD. Excuse me, Mr. Seidman. I missed one witness.

Mr. John Jarvis, international union, United Mine Workers of America, national legislative representative.

You may proceed, Mr. Seidman.

Mr. SEIDMAN. With me is Robert McGlotten, who is associate director of the AFL-CIO department of legislation.

Mr. Chairman, we appreciate the opportunity to present to this subcommittee the views of the AFL-CIO on the need for extension of the Federal supplemental benefits program and modification of the trigger requirements for the extended benefits program.

I have a prepared statement and I respectfully request that it be included in the record of the hearing. I will try to summarize it as briefly as I can.

Chairman FORD. Without objection, it will be made a part of the record.

[The prepared statement follows:]

STATEMENT OF BERT SEIDMAN, DIRECTOR, DEPARTMENT OF OCCUPATIONAL SAFETY, HEALTH AND SOCIAL SECURITY, AMERICAN FEDERATION OF LABOR AND CONGRESS OF INDUSTRIAL ORGANIZATIONS

We appreciate the opportunity to present to this Subcommittee the views of the AFL-CIO on the need for extension of the federal supplemental benefits program and modification of the trigger requirements for the extended benefits program.

As the result of the economic policies of the Reagan Administration, the number of workers without jobs continues to be at disastrous levels and millions of jobs have been eliminated. The search for a job for many, if not most jobless workers is a fruitless effort. For August, the Bureau of Labor Statistics reported that 10.7 million workers were without jobs with 9.5 percent of the labor force officially counted as unemployed. An additional 7.5 million workers were either too discouraged to search for work or had accepted part-time employment because they were unable to find full-time jobs. Thus, at a minimum, 18.2 million American workers and their families are experiencing severe hardship and economic deprivation.

Thirty-seven percent of jobless workers have been unemployed for 15 weeks or longer. Of these, 2.5 million workers had been without work for more than six months. The average duration of unemployment has jumped from 13 weeks in January 1982 to 20 weeks in August 1983.

The protections of an adequate and equitable unemployment insurance system are essential for jobless workers and their families. Yet, of the 10.7 million workers officially counted as unemployed, two out of three are not receiving unemployment compensation benefits. During the 1974-1976 recession, two-thirds of jobless workers were receiving unemployment compensation benefits. Over five million workers exhausted their regular benefits and extended benefits in 1982 and another three million have exhausted these benefits since January 1983. Even the Administration's economic forecasts project unemployment levels of 9 percent or more for the remainder of this year and far into 1984. Workers who lose their jobs face a long and painful spell of unemployment and the prospect of losing their unemployment benefits long before they find employment.

The AFL-CIO has long advocated the establishment of a permanent supplemental benefit program which would provide benefits for the long-term unemployed for at least 65 weeks in all phases of the business cycle. At least 26 weeks of federal sup-

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plemental benefits, funded from general revenues, should be provided without regard to state trigger levels. These benefits would be in addition to the current 39 weeks maximum provided under the regular and extended benefits programs. Long-term jobless workers would be eligible for extended benefits regardless of unemployment levels. If triggers must be used, total unemployment, without regard to the level of unemployment at some prior time, should be the trigger.

As a result of the harsh restrictions imposed by the Reagan Administration and Congress in 1981 on the extended benefits program, which already had serious defects, the program has been virtually eliminated and millions of jobless workers have been deprived of these benefits despite catastrophic levels of unemployment. The national trigger was eliminated, extended benefit recipients were eliminated from the calculation of national and state trigger formulas and a one percent increase in state trigger levels was required.

Prior to elimination of the national trigger, up to 13 additional weeks of benefits were paid to workers, regardless of where they happened to live, who exhausted their regular benefits when the national insured unemployment rate (IUR) reached 4.5 percent. Before the increase in State trigger levels became effective, workers who exhausted their regular benefits were entitled to extended benefits if the state IUR was at least 4 percent and 120 percent of the state level for the preceding two years. The 120 percent requirement could be waived if the state IUR was at least 5 percent.

Now, the triggers which exclude recipients of extended and federal supplemental benefits are 5 percent with the 120-percent requirement or 6 percent without regard to prior years. As the result of these restrictions on what were already defective trigger formulas, extended benefits are available in only Louisiana, West Virginia and Puerto Rico, and only 51,000 long-term jobless workers are receiving extended benefits.

Exclusion of extended benefit recipients from the calculation of the IUR has resulted in states triggering "on" extended benefit periods later and "off" earlier. As the proportion of long-term jobless workers grows, thus increasing the number of benefit recipients not counted, the IUR declines while total unemployment remains very high.

While the national total unemployment rate (TUR) is 9.5 percent, the national IUR is only 3.8 percent, a gap of almost 6 percent. For some states, the gap between official unemployment and insured unemployment is even greater than the national average. In Michigan, for example, the differential is over 10 percent and in Ohio, over 7 percent. Only West Virginia and Puerto Rico have an IUR of 6 percent. The alternative for continuance of extended benefits is to have an IUR of 5 percent, which also must be 20 percent greater than that of two years ago. Large industrial states with high levels of unemployment in the last two years have been unable to meet this requirements, despite continued very high levels of unemployment. As a result, extended benefits are no longer available in such high unemployment states as Alabama, Illinois, Michigan, Ohio and Pennsylvania, with total unemployment ranging from 11.1 to 14.3 percent. Twenty-four states have triggered "off" since April 23, 1983. Once a state triggers "off," extended benefits are suspended for 13 weeks, regardless of unemployment levels. If extended benefit recipients were included in the trigger calculation and the 120 percent requirement were eliminated, at least 18 additional states, including such large industrial states as Illinois, Michigan and Ohio, would be paying extended benefits.

The temporary program of Federal Supplemental Compensation (FSC) which became effective September 12, 1982 has provided some income protection for hundreds of thousands of long-term jobless workers. Unemployed workers who have exhausted either regular or extended benefits are eligible for 8, 10, 12, or 14 weeks of FSC, depending on the state from which they are receiving benefits. Up to 10 additional weeks of benefits were provided for unemployed workers who had exhausted FSC prior to April 1, 1983. Thus, it was possible for workers in some states to receive 65 weeks of benefits. The maximum duration of benefits for unemployed workers who began receiving FSC after April 1, 1983 is 53 weeks if both extended benefits and 14 weeks of FSC are available in their states. However, since so few states are in an extended benefit period and the duration of FSC is also based on state IURs, very few unemployed workers receive the maximum duration of benefits.

Fourteen weeks of FSC are available only in West Virginia, which has an IUR of 6 percent. As a result of the decline in state IURs in states with disastrous levels of unemployment, only eight weeks of FSC are available in Michigan and Ohio, and only 10 weeks of FSC are available in Alabama and Illinois, where 14 weeks of FSC had been available in April 1983. The maximum duration of benefits in the 31 states where only 8 weeks of FSC are available is only 34 weeks.

The income protection provided by the program of Federal Supplemental Compensation is inequitable in that unemployed workers are receiving benefits of varying duration, depending upon where they happen to work or live. A federal program of unemployment compensation benefits, financed from general revenues, must protect unemployed workers equally. This objective cannot be accomplished by relating benefit duration to state insured unemployment rates. It is clear that insured unemployment rates are no measure of total unemployment and are defective measures of the need for extended and federal supplemental benefits. With the gap between total unemployment and insured unemployment continuing to widen, more and more long-term jobless workers are being deprived of benefits.

While establishment of the program of federal supplemental benefits was a much needed step in the right direction, additional steps must be taken immediately to prevent millions of long-term jobless workers and their families from being deprived of all income. As high rates of unemployment continue for the long-term jobless, more and more workers need the income protection of extended and federal supplemental benefits.

We, therefore, are encouraged by the introduction of bills that would remedy some of the deficiencies in these programs. H.R. 3433 and H.R. 3573, if enacted, would extend the current FSC program through March 31, 1984. H.R. 3573 would also require that all recipients of unemployment compensation benefits be included in the calculation of the IUR. While we favor a one year extension, these bills are a step in the right direction. However, the inequity of the present program would be maintained, since benfit duration would continue to be related to defective state insured unemployment rates.

The AFL-CIO supports H.R. 1340, which would provide extended benefits to long-term jobless workers when the total unemployment rate in their states reached 7 percent or more. While H.R. 2169, H.R. 3112 and H.R. 3575 also would allow total state unemployment to be used as the trigger for extended benefits, the required levels of unemployment are much higher and, thus, would not assure adequate availability of these benefits.

H.R. 233, H.R. 1340, H.R. 1736, H.R. 2086 and H.R. 2169 would establish substate triggers for extended benefits. Substate triggers present serious administrative problems and do not assure equitable income protection for jobless workers. It is very difficult to define a local area and to compute local trigger rates since many labor market areas straddle state lines. In addition, the maximum duration of benefits for unemployed workers in contiguous local areas within the same state could vary because of slight differences in the insured or total unemployment rate for those areas. The National Commission on Unemployment Compensation, composed of employers, employees and public representatives, studies the issue of area triggers and recommended in its 1980 report to Congress that labor market area triggers not be used. We support the Commission's recommendations.

While H.R. 233, H.R. 2086, H.R. 3196 and H.R. 3197 would retain insured unemployment as the trigger for extended benefits, these bills, if enacted, would restore some of the protections of the program. By lowering the required state triggers to their previous levels and including all recipients of unemployment compensation benefits in the calculation of the IUR, high unemployment states would trigger on sooner than under present law and would remain in an extended benefit period longer, thus providing more unemployed workers with extended benefit protection. However, the 120 percent formula that is a part of the trigger requirements serves to deny extended benefits to jobless workers in states where insured unemployment is not 20 percent greater than the previous two years. It is virtually impossible for states that were hard hit by high levels of unemployment two years ago to meet this requirement. That is why Congress has seen fit to waive this requirement on eight different occasions. If insured unemployment is retained as the trigger for extended benefits, the AFL-CIO urges that the 120-percent requirement be eliminated.

The AFL-CIO is encouraged by the introduction of S. 1784, which would establish a new program of benefits to replace the existing programs of extended benefits and Federal Supplemental Compensation. Under the proposed program, benefits would be provided to unemployed workers who have exhausted their regular benefits when either total unemployment or insured unemployment reached certain levels, depending upon which measure provides a greater number of weeks of benefits. A tiered system would be established, with benefit duration ranging from zero to 30 weeks, depending upon the level of unemployment in a state. An additional five weeks of benefits would be added to each tier when the total national unemployment reached 10 percent or more. Thus, the maximum duration of benefits would be 61 weeks. While we would prefer that the unemployment levels required for the availability of these benefits be lowered and that the percentage of the IUR in prior

years be eliminated, on balance, it is our opinion that this is a better approach to providing benefits for long-term jobless workers than simple extension of the FSC program. Jobless workers in such high unemployment states as Alabama, Michigan, Pennsylvania and Tennessee would now be receiving 51 to 56 weeks of benefits instead of the 34 to 38 weeks available to them under the present program.

With an adequate and effective unemployment insurance program needed today more than ever before, the program has been drastically weakened so that most jobless workers receive no unemployment insurance. This program must be extended and strengthened so that unemployment insurance remains an effective safeguard against deprivation and suffering.

The legislation being considered by this Subcommittee will remedy some of the defects and inequities in unemployment compensation for the long-term jobless. However, the AFL-CIO is convinced that the most equitable approach to providing needed income protection for long-term jobless workers is the establishment of a permanent program, funded from general revenues, that would provide benefits for the long-term unemployed for at least 65 weeks in all phases of the business cycle. If this goal cannot be achieved, the AFL-CIO urges you to report out a bill which will substantially improve upon the current program of unemployment compensation for workers and their families who suffer long-term unemployment.

Mr. SEIDMAN. As a result of the economic policies of the Reagan administration, the number of workers without jobs continues to be at disastrous levels and millions of jobs have been eliminated.

You have just heard eloquent testimony from unemployed workers in various communities who have told us in the most graphic terms the devastating impact that joblessness has had on workers in these communities. What is particularly tragic is that the number of workers who have been unemployed for long periods of time is constantly increasing.

The average duration of unemployment has jumped from 13 weeks in January of 1982 to 20 weeks in August of 1983.

The protections of an adequate and equitable unemployment insurance system are essential for jobless workers and their families. Yet, of the 10.7 million workers officially counted as unemployed, 2 out of 3 are not receiving unemployment compensation benefits. During the 1974-76 recession, two-thirds of jobless workers were receiving unemployment compensation benefits.

Mr. Chairman, there was an article just the other day in the New York Times on a study in the Brookings Institution which called attention to the fact that so few unemployed during this recession and particularly the long-term unemployed are receiving unemployment compensation. Even the administration's economic forecasts project unemployment levels of 9 percent or more for the remainder of this year and far into 1984.

As we have just heard, workers who lose their jobs face a long and painful spell of unemployment and the prospect of losing their unemployment benefits long before they find employment.

The AFL-CIO has long advocated the establishment of a permanent supplement benefit program which would provide benefits for the long-term unemployed for at least 65 weeks in all phases of the business cycle. At least 26 weeks of Federal supplemental benefits, funded from general revenues, should be provided without regard to State trigger levels.

These benefits would be in addition to the current 39 weeks maximum provided under the regular and extended benefits programs. Long-term jobless workers would be eligible for extended benefits regardless of unemployment levels. If triggers must be

used, total unemployment, without regard to the level of unemployment at some prior time, should be the trigger.

The same study that I just mentioned came to the conclusion that there was no rational way of explaining the so-called insured unemployment rate. They looked at it from every angle and they came to the conclusion that neither the author—and this is from the New York Times of September 9—neither the author nor several other economists who studied the manuscript found they could answer the question satisfactorily. And the question was, why is insured unemployment so low?

As a result of the harsh restrictions imposed by the Reagan administration and Congress in 1981 on the extended benefits program, which already has serious defects, the program has been virtually eliminated and millions of jobless workers have been deprived of these benefits despite catastrophic levels of unemployment. The national trigger was eliminated, extended benefit recipients were eliminated from the calculation of National and State trigger formulas and a 1-percent increase in State trigger levels was required.

Prior to elimination of the national trigger, up to 13 additional weeks of benefits were paid to workers, regardless of where they happened to live, who exhausted their regular benefits when the national insured unemployment rate [IUR] reached 4.5 percent. Before the increase in State trigger levels became effective, workers who exhausted their regular benefits were entitled to extended benefits if the State IUR was at least 4 percent and 120 percent of the State level for the preceding 2 years. The 120-percent requirement could be waived if the State IUR was at least 5 percent.

Now, the triggers which exclude recipients of extended and Federal supplement benefits are 5 percent with the 120-percent requirement or 6 percent without regard to prior years. As the result of these restrictions on what were already defective trigger formulas, extended benefits are available in only Louisiana, West Virginia, and Puerto Rico, and only 51,000 long-term jobless workers are receiving extended benefits.

Exclusion of extended benefit recipients from the calculation of the IUR has resulted in States triggering "on" extended benefit periods later and "off" earlier. As the proportion of long-term jobless workers grows, thus increasing the number of benefit recipients not counted, the IUR declines while total unemployment remains very high.

While the national total unemployment rate [TUR] is 9.5 percent, the national IUR is only 3.8 percent, a gap of almost 6 percent. For some States, the gap between official unemployment and insured unemployment is even greater than the national average.

In Michigan, for example, the differential is over 10 percent and in Ohio, over 7 percent. Only West Virginia and Puerto Rico have an IUR of 6 percent.

The alternative for continuance of extended benefits is to have an IUR of 5 percent, which also must be 20 percent greater than that of 2 years ago. Large industrial States with high levels of unemployment in the last 2 years have been unable to meet this requirement, despite continued very high levels of unemployment.

As a result, extended benefits are no longer available in such high unemployment States as Alabama, Illinois, Michigan, Ohio, and Pennsylvania, with total unemployment ranging from 11.1 to 14.3 percent. Twenty-four States have triggered "off" since April 23, 1983. Once a State triggers "off," extended benefits are suspended for 13 weeks, regardless of unemployment levels.

If extended benefit recipients were included in the trigger calculation and the 120-percent requirement were eliminated, at least 18 additional States, including such large industrial States as Illinois, Michigan, and Ohio, would be paying extended benefits.

Chairman FORD. Mr. Seidman, if the IUR was 5 percent, 18 States, are you saying would trigger on that would include Ohio, Illinois, Pennsylvania, and some of the big States with higher unemployment?

Mr. SEIDMAN. If you included in the IUR the extended benefit recipients and the 120-percent requirement were eliminated, and that is the most important thing, at least 18 additional States would be paying extended benefits. We are not recommending that this is all that has to be done.

We are simply saying that if those 2 things were done, 18 States would have extended benefits instead of 2 and Puerto Rico.

The temporary program of Federal supplemental compensation, which became effective September 21, 1982, provided some protection for hundreds of thousands of long-term jobless workers, but it is both inadequate and inequitable because its duration, like that of extended benefits, is tied to the State IUR.

It is clear that insured unemployment rates are no measure of total unemployment and are ineffective measures for the need of extended and Federal supplemental benefits. With the gap between total unemployment and insured unemployment continuing to widen, more and more long-term jobless workers are being deprived of benefits.

While establishment of FSC was a much needed step in the right direction, additional steps must be taken immediately to prevent millions of long-term jobless workers and their families from being deprived of all income.

We, therefore, are encouraged by the introduction of bills that would remedy some of the deficiencies in these programs. However, some of these bills would not remove the inequity of the present program since benefit duration would continue to be related to defective State-insured unemployment rates.

The AFL–CIO, therefore, supports H.R. 1340 which would provide extended benefits to long-term jobless workers when the total unemployment rate in their States reached 7 percent or more.

While other bills also would tie EB duration to the TUR, the required levels of unemployment are much higher and thus would not assure adequate availability of these benefits.

Some bills would retain insured unemployment as the trigger for extended benefits, but would restore some of the protections of the program by lowering the required State triggers to their previous levels, and including all recipients of unemployment compensation benefits in the calculation of the IUR. High unemployment States would trigger on sooner than under present law and would remain in an extended benefit period longer.

However, they retain the 120-percent formula. It is virtually impossible for States that were hard hit by high levels of unemployment 2 years ago to meet this requirement. That is why Congress has seen fit to waive this requirement on eight different occasions.

If insured unemployment is retained as the trigger for extended benefits, the AFL-CIO urges that the 120-percent requirement be eliminated.

The AFL-CIO is encouraged by the introduction of S. 1784, which would establish a new program of benefits to replace the existing programs of EB and FSC. Under the proposed program, up to 35 weeks of benefits would be provided to unemployed workers who exhausted their regular benefits, when either total unemployment or insured unemployment reached certain levels depending upon which measure provides a greater number of weeks of benefits. The maximum duration of benefits would be 61 weeks.

We would also prefer that the unemployment levels required for the availability of these benefits be lowered and that the percentage of the IUR in prior years be eliminated.

We will be glad to answer any questions that the committee may have, but the burden of our testimony is that if we are really going to help the long-term unemployed, there have to be changes going beyond simply an extension of the present program and that calls either for using the total unemployment rate at some reasonable level so that most of the long-term jobless will be covered or at the very least changing drastically the provisions relating to triggers and the IUR, but we find the IUR a totally irrational and indefensible way of measuring the extent of unemployment today.

Thank you.

Mr. McGlotten.

Mr. MCGLOTTEN. I have no statement.

Chairman FORD. Mr. Warden.

STATEMENT OF DICK WARDEN, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA, ACCOMPANIED BY BETTY ROBINSON, LEGISLATIVE REPRESENTATIVE

Mr. WARDEN. Thank you very much, Mr. Chairman. I am the legislative director of the United Auto Workers, and I am accompanied today by Betty Robinson, a legislative representative in our office here in Washington.

We could almost just file our statement and say we agree and step down because most of what Mr. Seidman has said, we heartily concur with.

I do have a prepared statement which I would like to file with your permission.

Chairman FORD. Without objection, it will be made a part of the record.

Mr. WARDEN. I will summarize the statement. Not only do we agree with almost everyone that Mr. Seidman testified in support of, we also find that we read the same newspapers because my statement refers to the New York Times article and also the same Brookings Institution study. We find ourselves also in agreement with the findings of the Brookings Institution study.

Mr. Chairman, we appreciate very much the opportunity to be here today to share with you the UAW's views on the various changes proposed for the extended benefit [EB] and Federal supplemental compensation [FSC] program.

Hundreds of thousands of workers, as you have heard today from people who are actually out there and unemployed, are hurting very badly, as are their family members and I think they are looking to this subcommittee, to the full Ways and Means Committee, and indeed, to the Congress to provide some help.

In line with what Mr. Seidman said, we believe that not only should the FSC program be extended, but we also believe that there should be major changes made in the extended benefit program.

On that point, I would like to say, Mr. Chairman, that it is a source of continuing dismay to us why the Congress will not rescind the changes that were made on such an ill-advised basis in 1981. I think it is generally recognized among the Members of Congress who were involved in that exercise that most of them were not very well aware of what was in the reconciliation bill that actually decimated the extended benefits program.

I think now that members are beginning to hear from their constituents out around the country and they know now what was in that bill. They know what those cuts mean and I think it is time now for us to get back into that program and make the changes to reestablish the program to provide the kind of assistance to unemployed people which is obviously needed.

The UAW heartily supports legislation proposing a permanent Federal supplemental compensation program, and shoring up the extended benefits program.

Indeed, we would go beyond those measures. Our position over the years has been that there should be a permanent program providing a maximum benefit duration of 65 weeks when the national unemployment rate is at or more than 4 percent, and 52 weeks otherwise.

Again, I say we believe that you ought to get back into the extended benefit program and to make some of the changes that Mr. Seidman has recommended. We ought to make changes in the way in which the trigger is calculated.

You know the UAW and the AFL-CIO went to court at one time to prevent what the Congress did in the 1981 Reconciliation Act. At an earlier time there was an attempt to accomplish that administratively and the courts said that could not be done administratively, and now the Congress has done it legislatively, and we believe that that ought to be changed.

We believe that if the triggers are going to be used, as Mr. Seidman said, we think the IUR is the wrong basis for it. We agree that the 120 percent should be eliminated.

The President has said recently that the economy is beginning to sparkle. Well, we would challenge that in the UAW based upon our experience and based upon the number of workers that we now have unemployed.

In many ways, when you look out at this so-called recovery, it is almost a workerless recovery, Mr. Chairman, in the sense that the

workers are not being called back to work in many parts of the country.

This is true throughout the Midwest. It is true in some pockets in New England—in Mrs. Kennelly's State, it is true. It is true in many parts of the country.

While the President says the economy is beginning to sparkle, the administration's own forecasts for 1983 and 1984 project a 9.6-percent unemployment rate for the last quarter of 1983, and around 8.16-percent rate for the fourth quarter of 1984.

Despite the glowing news reports of an auto industry recovery, and as I say in many cases that is a workerless recovery, the unemployment problem for auto workers and workers in related industries has hardly improved.

You have heard a lot about that this morning—about the steel industry and some of the other industries that are directly related to the situation in the automobile industry.

Total unemployment in the automobile industry in July was nearly 300,000 below its July 1979 level and 260,000 below its July 1980 level.

Layoffs of hourly employees stood at 200,000 in July, as reported by the domestic car companies themselves. You know the administration keeps talking about the importance of looking at trend lines.

Well, we are not looking at trend lines. You know the 9.5-percent unemployment rate that we are experiencing right now is the highest level of unemployment since World War II, if you discount the 11 percent and the 10 percent that was experienced earlier in the current Reagan recession.

We can't look at the trend line. We are looking at people out there, workers and their families who are suffering because of what is happening in this economy. Again, I say that those workers and their families are looking to this subcommittee, the full Ways and Means Committee and the Congress for some help in this situation.

You know when I talk about the automobile industry, I don't want to overlook that the members we represent in the agricultural implement industry because in many cases their situation is even worse.

In the aerospace industry among our members and members of other unions that are employed in the aerospace industry, it is very bad as well.

Extended benefits should be available wherever jobs are scarce. However, in the midst of the current high joblessness, and projections of continued high unemployment, we find that exhaustees of regular State benefits are currently eligible for extended benefits only in two States and Puerto Rico.

Louisiana and West Virginia are the two States. More than 20 other States with unemployment rates between 8 and 14 percent have already triggered off the program. There is a table that lays this out in terms of the numbers attached to our statement that we filed for the record. The 20 States include 11 with unemployment rates in excess of 10 percent.

You heard this afternoon from the panel about the situation in Michigan, so I won't go into that. In Indiana, the extended benefit

program triggered off at the end of April and the insured unemployment rate has since dropped to 3 percent.

Yet the total unemployment rate reached 9.8 percent in June. Unemployed workers in three States, Arizona, New Mexico, and your own State of Tennessee, Mr. Chairman, with current unemployment rates in excess of 10 percent, have been denied extended benefits since the last quarter of 1982.

In Tennessee, for example, the total unemployment rate stood at 11.1 percent in June, yet the insured rate is now only 3.1 percent and extended benefits have been triggered off since last September.

Because of the cutbacks in the extended benefit program, the Nation's record for cushioning the impact of joblessness has been far worse during this recession than in any other postwar downturn.

Even with the additional benefit weeks under Federal supplemental compensation legislation, less than 40 percent of the Nation's unemployed currently are receiving any unemployment benefits. During the 1974–75 recession, by contrast, nearly three-fourths of the unemployed received benefits.

The changes legislated in 1981 have seriously weakened the program—the EB program, I mean—in its role as a first line of defense against the hardships brought about by rising unemployment.

Not only have unemployed workers and their families suffered by the shredding of already thread-bare safety net provided by the unemployment insurance program, but businesses have suffered as well due to the rapid shrinkage of purchasing power in their community.

Sharp cutbacks in unemployment benefits, along with the cutbacks in public assistance and employment programs generally, have exacerbated the impact of deteriorating economic conditions by weakening the automatic stabilizing role of the unemployment insurance system.

We are here today, Mr. Chairman, to appeal to this subcommittee, to the full Ways and Means Committee and to the Congress to respond to the crying need out there. The UAW appreciates this opportunity to have been here this afternoon and to have shared with you our views. We hope you will take the time to read the statement that we have filed for the hearing record.

Thank you very much.

Chairman FORD. Thank you, Mr. Warden.

[The prepared statement follows:]

STATEMENT OF DICK WARDEN, LEGISLATIVE DIRECTOR, INTERNATIONAL UNION, UNITED AUTOMOBILE, AEROSPACE AND AGRICULTURAL IMPLEMENT WORKERS OF AMERICA (UAW)

Mr. Chairman, thank you for the opportunity to share with you the UAW's views on the various changes proposed for the Extended Benefit (EB) and Federal Supplemental Compensation (FSC) programs.

We commend you, Mr. Chairman, and Members of the Subcommittee for holding this hearing and for considering legislation so desperately needed by millions of unemployed workers and their families. At a time when the Administration seems oblivious to the problems of long-term unemployment, it is gratifying that Members of Congress are focusing on the economic hardships faced by millions of workers who have lost their jobs through no fault of their own.

Workers deserve adequate and permanent protection from long term job loss, especially during periods of high unemployment. Unfortunately, the unemployment

compensation system has not been providing adequate protection to the nation's long term unemployed, especially in the last few years due to the debilitating cutbacks enacted in 1981. The Congress should not allow this shameful condition to persist.

The UAW wholeheartedly supports the measures under consideration for instituting a permanent Federal Supplemental Compensation program and shoring up the Extended Benefit program. Indeed, we should go beyond these measures to the adoption of a permanent program providing a maximum benefit duration of 65 weeks when the national unemployment rate is at or more than 4 percent, and 52 weeks otherwise.

The Extended Benefit program badly needs to be rejuvenated by repealing the cutbacks contained in the Omnibus Budget Reconciliation Act of 1981. The reconciliation instituted severe eligibility restrictions for the 13 additional weeks of benefits available under the EB program for exhaustees of regular state benefits by:

(a) Eliminating the national trigger;

(b) Excluding extended benefit recipients from the calculation of the state extended benefit triggers;

(c) Requiring a 20 to 25 percent increase in the state extended benefit triggers (by raising the necessary targets by one percentage point);

(d) Requiring twenty weeks of work for extended benefit eligibility.

These changes have led to reductions in budget outlays, but at an unacceptably high cost for several million unemployed workers and their families. If not for the first two changes, extended benefits would have been paid in all states by mid-1982, nearly one year after the onset of the recession. Instead, exhaustees of regular state benefits in many states had to wait until mid-September to receive additional weeks of benefits under the FSC program.

The impact of these legislated changes on workers in the hardest hit states has been even more devastating as the states have been forced to suspend extended benefit payments in the midst of severe unemployment. In Michigan, for example, the Extended Benefit program triggered "off" between December 1981 and March 1982 when the state's unemployment rate was 12 percent, the highest in the country. This unfortunate situation was nearly repeated this past winter as the State's insured unemployed rate fell below the 6 percent threshold for the four weeks immediately preceding the effective date of this higher trigger. It was only the combination of an increase in the number of regular state benefit recipients and a decline in the number of covered workers which pushed the State's thirteen-week insured unemployment rate just barely about 6 percent, avoiding "triggering off". In nine other states, however, extended benefit payments were suspended last October as the higher threshold requirements came into effect.[1]

Though the economy is showing signs of improvements, the problems of high joblessness is not expected to dissipate for many months and even years to come. The National Bureau of Economic Research recently announced that the 1981-82 recession bottomed out in November 1982. The stock market has been predicting a recovery since last summer, and indeed wealthy investors and brokerage firms have been reaping huge gains over the last year. Unfortunately, millions of unemployed workers have yet to see or feel the end of recession.

The unemployment statistics point to 10.4 million workers without jobs in August compared to 8.5 million in June 1981. In August nearly 2.5 million had been jobless for 27 weeks or more, compared to 1.1 million in June 1981. The average duration of unemployment was nearly 20 weeks, up from an average of 14.3 weeks in June 1981. In addition to the 10.4 million workers counted as unemployed in August, another 5.8 million held part-time jobs only because they were unable to find full-time work, and another 1.7 million were to discouraged to even search for jobs.

While the President declares that the economy is "beginning to sparkle," the Administration's own forecasts for 1983-84 project a 9.6 percent unemployment rate for the last quarter of 1983 and an 8.6 percent rate for fourth quarter 1984. Despite glowing news reports of an auto industry recovery, the unemployment problem for auto workers has hardly improved. Total employment in the industry in July was nearly 300,000 below its July 1979 level and 260,000 below its July 1980 level. Indefinite layoffs of hourly employees stood at 200,000 in July, as reported by the domestic car companies. The Bureau of Labor Statistics recently reported a 9.1 percent unemployment rate for the industry in July, which implies only 79,000 unemployed hourly and salaried workers. However, this figure excludes auto workers who dropped out of the labor force after giving up the search for work, auto workers who

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[1] Alaska, Arizona, California, Louisiana, Montana, Nevada, North Carolina, Rhode Island, and Utah.

have found substitute, often low-paying jobs, and auto workers who became unemployed following a short stint in another industry. Most of these workers, who are excluded from the BLS statistics, gladly would return to their previous jobs in the auto industry.

The situation in the agricultural equipment and heavy machinery industries is even more bleak, with less than 60 percent of our members actively at work and more than 40 percent on layoff. Many of our members in the aerospace industry also are on layoff, especially those working in plants geared towards the civilian market. Only several weeks ago we learned of an imminent plant shutdown in Hagerstown, Maryland for a Boeing subcontractor; this shutdown will lead to permanent job loss for one thousand or so UAW members.

Extended benefits should be available whenever jobs are scarce. Yet, in the midst of current high joblessness and projections of continued high unemployment we find that exhaustees of regular state benefits are currently eligible for extended benefits in only two states—Louisiana and West Virginia. More than twenty other states with unemployment rates between 9 and 14 percent (June, latest available) have already triggered off the program (see appended table), including 11 states with unemployment rates in excess of 10 percent.

In Michigan, the total unemployment rate still stood at 13.4 percent in August; yet the extended benefit program triggered off in mid-June dropping 56,000 unemployed workers from the program.

In Indiana, the EB program triggered off at the end of April and the insured unemployment rate has since dropped to 3.0 percent. Yet, the total unemployment rate reached 9.8 percent in June.

Unemployed workers in three states (Arizona, New Mexico, Tennessee) with current unemployment rates in excess of 10 percent have been denied extended benefits since the last quarter of 1982. In Tennessee, for example, the total unemployment rate stood at 11.1 percent in June, yet the insured rate is now only 3.1 percent and extended benefits have been triggered off since the last week of September.

Because of the cutbacks in the Extended Benefit program the nation's record for cushioning the impact of joblessness has been far worse during this recession than in any other postwar downturn. Even with the additional benefit weeks under the Federal Supplemental Compensation legislation, less than 40 percent of the nation's unemployed currently are receiving any unemployment benefits; during the 1974-75 recession, by contrast, nearly three-fourths of the unemployed received benefits.

According to a Brookings Institute study issued last week, the level of protection afforded by unemployment insurance eroded by 41 percent between 1976 and 1982, from an average of $4,080 per unemployed worker to only $2,400. Benefit payments under all programs totaled $24 billion in 1982, when 10 million workers were jobless, or an average $2,400 per unemployed worker. In 1976, when 7.6 million were out of work, benefit payments added up to $31 billion (1982 dollars), or an average of $4080 per unemployed worker.

The more adequate protection afforded unemployed workers in prior years was the product of more reasonable standards for the payment of extended benefits and the enactment of programs to protect exhaustees of extended benefits as well. During the two recessions of the 1970s, for example, legislation was enacted to extend unemployment benefits for durations of as long as 65 weeks.

Benefits were extended for an additional 13 weeks, up to a maximum of 52 weeks, between January 1972 and March 1973.

Benefits became payable for an additional 13 weeks to exhaustees of extended benefits between January and March 1975, for 26 additional weeks (up to 65 weeks) between March 1975 and March 1977, and for 13 additional weeks (up to 52 weeks) until January 1978. The 13 additional weeks of potential benefits payable between April 1977 and January 1978 were financed by general revenues.

The cutbacks mandated by the Omnibus Budget Reconciliation Act were inconsistent with the purpose of the federal-state unemployment insurance system, which was established in the mid-1930's in recognition of the enormous costs borne by unemployed workers as a result of economic, political, and social forces over which they have no control. Two major goals were set: first, to cushion workers against economic hardship when they become unemployed through no fault of their own; and second, to bolster purchasing power when total spending is declining, thereby helping to automatically stabilize an historically cyclical economy. The two goals are closely related—adequate level and duration of benefits are required to ease private hardship and to bolster a community's total purchasing power during periods of economic decline and high unemployment.

The legislated changes have seriously weakened the program and its role as a first line of defense against the hardships brought about by rising unemployment.

Not only have unemployed workers and their families suffered by the shredding of the already threadbare safety net provided by the unemployment insurance program, but businesses have suffered as well due to the rapid shrinkage of purchasing power in their communities. The sharp cutbacks in unemployment benefits, along with cutbacks in public assistance and employment programs, have exacerbated the impact of deteriorating economic conditions by weakening the automatic stabilizing role of the program.

The costs arising from unemployment and the exhaustion of benefits are being borne privately in the homes of the unemployed; these costs range from financial insolvency, mortgage foreclosures, and the inability to pay for urgently needed medical care to the rise in intra-family tensions and mental health problems. The costs also are being borne socially as the long-term impacts of higher crime, community instability, and mental health problems associated with increasing unemployment continue to spread.

The UAW advocates a permanent program to provide a maximum benefit duration of 52 weeks under normal circumstances and no less than 65 weeks when the unemployment rate at the national level exceeds the 4 percent goal set forth in the Full Employment and Balanced Growth Act of 1978.

It is essential that the Congress rescind the cutbacks mandated in 1981. Legislation is urgently needed to fully restore the Extended Benefit Program and to preserve the potential duration available under the FSC program. More than 750,000 workers currently are receiving FSC benefits, and another 350–400,000 workers per month currently are running out of regular state and extended benefits. We urge the Congress not to ignore the long term unemployed, and not to allow the FSC program to expire.

The UAW supports the bills under consideration for changing the trigger mechanisms for the Extended Benefit program and instituting substate EB triggers. The insured unemployment rate calculation is seriously flawed by the exclusion of state benefit exhaustees, whether or not they are receiving additional benefits. Indeed, the total unemployment rate more accurately captures the magnitude of joblessness, though it does exclude benefit exhaustees too discouraged by poor job prospects to actively seek new employment. Local area EB triggers are essential for protecting long term unemployed workers caught in high unemployment areas within states only mildly affected overall by an economic downturn.

The UAW appreciates this opportunity to share with this Subcommittee our views and our suggestions for reinvigorating a network of programs we believe vital for protecting workers and their communities against the debilitating effects of long-term unemployment.

AVAILABILITY OF EXTENDED AND FEDERAL SUPPLEMENTAL BENEFITS IN HIGH UNEMPLOYMENT STATES

	Total unemployment rate [2] ending date (June 1983)	Insured unemployment rate benefits (Aug. 20, 1983)	Status of extended benefits-ending date	Weeks of Federal supplemental compensation [3] (Aug. 20, 1983)
Alabama	12.7	4.19	June 4, 1983	10
Alaska	9.9	5.12	Aug. 6, 1983	12
Arizona	10.3	3.05	Oct. 23, 1982	8
Arkansas	9.1	3.78	Mar. 26, 1983	10
California [1]	9.5	4.33	July 2, 1983	10
Idaho	9.7	4.67	do	10
Illinois [1]	11.3	4.41	June 25, 1983	12
Indiana	9.8	3.03	Apr. 30, 1983	8
Kentucky	10.8	4.39	Mar. 19, 1983	10
Louisiana	12.8	5.24		12
Michigan [1]	13.4	3.77	June 11, 1983	10
Mississippi	13.6	4.88	July 16, 1983	12
Missouri	9.2	3.07	June 19, 1982	8
Nevada	9.0	3.36	Apr. 23, 1983	8
New Mexico	10.8	3.89	Nov. 27, 1982	10
Ohio [1]	10.8	3.57	May 14, 1983	10
Oregon	9.1	4.70	July 2, 1983	12
Pennsylvania [1]	10.8	5.46	Aug. 8, 1983	12

AVAILABILITY OF EXTENDED AND FEDERAL SUPPLEMENTAL BENEFITS IN HIGH UNEMPLOYMENT STATES—Continued

	Total unemployment rate [2] ending date (June 1983)	Insured unemployment rate benefits (Aug. 20, 1983)	Status of extended benefits-ending date	Weeks of Federal supplemental compensation [3] (Aug. 20, 1983)
South Carolina	9.8	3.05	Mar. 19, 1983	8
Tennessee	11.1	3.08	Sept. 25, 1982	8
Washington	10.9	5.11	July 2, 1983	12
West Virginia	17.5	7.02		14
Wisconsin	9.5	3.60	June 18, 1983	10
Wyoming	9.5	3.96	Aug. 6, 1983	12

[1] August 1983.
[2] Not seasonally adjusted.
[3] Including additional weeks under H.R. 3409.

Note: National Civilian Unemployment Rate—
Seasonally adjusted: June, 10.0 percent; July 9.5 percent; August 9.5 percent.
Not seasonally adjusted: June, 10.2 percent; July 9.4 percent; August 9.2 percent.

Chairman FORD. Mr. Jarvis.

STATEMENT OF JOHN T. JARVIS, NATIONAL LEGISLATIVE REPRESENTATIVE, INTERNATIONAL UNION, UNITED MINE WORKERS OF AMERICA

Mr. JARVIS. Mr. Chairman, on behalf of the United Mine Workers, I would like to thank the committee for this opportunity to testify on this very important matter of unemployment compensation.

With the Chair's permission, I would like to submit our written statement for the record.

Chairman FORD. Without objection.

Mr. JARVIS. Because time is limited, I will just give a few brief remarks.

The United Mine Workers consists of a quarter of a million working, retired, and unemployed coal miners in approximately 26 States. At present, more than 50 percent of our members are out of work and an unemployment rate in excess of 30 percent.

As you have already heard today, these figures tell the devastating story. It is devastating to anyone who knows or can imagine what unemployment can do to an individual or to a family.

Yet the situation worsens when miners exhaust their unemployment benefits and for many of our members, benefits have already expired and others will lose them in the short weeks ahead. For some families, this will spell disaster.

The financial and personal pressures already felt by the families of unemployed workers will intensify. Homes may be lost. Health care and nutrition will suffer. Domestic conflicts increase.

We hope, as many have stated here today, that Congress will help alleviate this problem by extending the Federal supplemental compensation program.

We were encouraged by the chairman's statement that his committee will be acting very quickly on this extension, but beyond that, as with the United Auto Workers, the Mine Workers support many of the suggestions made by our friends in the AFL-CIO.

We are encouraged by the introduction of such legislation as S. 1784, which would consolidate and revise both the EB and FEC pro-

grams. Beyond that and something which has not been mentioned by this panel so far is the United Mine Workers would like the committee to seriously consider the use of substate areas.

One of the major problems that we have within our union is that the long-term unemployment within otherwise low unemployment States. This denies extended benefits to many long-term unemployed who are in great need of assistance.

We feel this inequity is intolerable and unnecessary. The vast majorities of these people are unemployed through no fault of their own.

They are basically victims of a worldwide recession. To remedy this problem the UMWA supports the use of substate areas to determine eligibility.

In particular, we support Congressman Rick Boucher's S. 2169, the Unemployment Compensation Fairness Act, which provides for the payment of extended benefits within 183 designated economic areas defined by the Bureau of Economic Analysis in the Department of Commerce.

Each of the economic areas reflects a common or central economic interest. They coincide with existing county and city boundaries and, therefore, the collection of necessary data by the Department of Labor should not be difficult.

Extended benefits would be triggered within one of these economic areas under his legislation when the nominal or actual unemployment rate, the TUR, in reality is at least 9 percent for 3 consecutive months.

Our concern is in such States as Virginia, which have a relatively low unemployment rate, yet in the coal fields of Virginia where unemployment is in excess of 30 percent, they were ineligible for extended benefits because of the triggering mechanism.

Therefore, as stated by many, the UMWA also supports moving from the IUR triggering mechanism to the use of a true unemployment rate if a triggering mechanism is needed at all.

In conclusion, Mr. Chairman, the UMWA believes it is vital that the Federal/State Extended Unemployment Compensation Act be fair and that it truly meet the financial needs of unemployed Americans.

There are many unanswered and perhaps unanswerable questions about the course of our economy, but it is clear that for the near future unemployment will remain high. It is the hope of the UMWA that the Congress will act quickly to provide the necessary assistance to the unemployed of this Nation.

Thank you, Mr. Chairman, for this opportunity.

[The prepared statement follows:]

STATEMENT OF JOHN T. JARVIS, NATIONAL LEGISLATIVE REPRESENTATIVE, UNITED MINE WORKERS OF AMERICA

Mr. Chairman and members of the committee. My name is John Jarvis. I am the National Legislative Representative of the United Mine Workers of America. On behalf of the UMWA. I would like to thank the committee for this opportunity to testify on the very important matter of unemployment compensation.

The UMWA consists of a quarter of a million working, retired and unemployed coal miners. At present, more than 50,000 of our members are out of work—an unemployment rate in excess of 30 percent. Even this, however doesn't tell the full story. Some of our districts are experiencing unemployment levels of more than 30

percent. UMWA District 23, in Western Kentucky, for example, suffers from an unemployment rate of 37.5 percent and District 4, in Pennsylvania, has an unemployment rate of 45.2 percent.

These figures tell a devastating story to anyone who knows or can imagine what unemployment can do to an individual, to a family.

And yet the situation worsens when miners exhaust their unemployment benefits. For many, benefits have already expired; others will lose them in the weeks ahead.

For some families, this will spell disaster. The financial and personal pressures already felt by the families of unemployed workers will intensify; homes may be lost to mortgage foreclosure; health care and nutrition will suffer, domestic conflicts increase.

Congress can help to alleviate this misery by extending the Federal supplemental compensation (FSC) program that is scheduled to end this month. Extension of the program is essential, it is fair—and it is crucial to many unemployed workers and their families.

The UMWA also urges Congress to correct important structural problems in the Federal-State extended unemployment compensation program (EB), problems that exclude from the program many of those most in need of assistance.

Two of the major problems are the use of statewide averages to trigger extended benefits and the use of the insured unemployment rate (IUR) rather than total unemployment to calculate when extended benefits will be made available. The use of statewide averages ignores pockets of extremely high, long-term unemployment within otherwise "low unemployment" States. This denies extended benefits to many long-term unemployed who are in great need of assistance.

This situation exists in many States. Two of the most obvious examples are Virginia and Minnesota.

The Virginia statewide unemployment average rate for June 1983 was 5.8 percent—a level that did not trigger Virginia onto the extended benefits program. Yet, in the coal counties of Virginia, the unemployment rate stood at 27.4 percent, a rate five times the statewide average. The unemployed in Virginia's coal regions are exhausting their basic and supplemental benefits and, under current law, they are not eligible for extended benefits.

In Minnesota, for June 1983, the statewide average unemployment rate was 8.1 percent. In Duluth, the home of thousands of iron ore miners, the unemployment rate was 15.4 percent, nearly twice the State average. Like the coal miners in Virginia, these iron ore miners are in need of assistance but are ineligible under current law.

This inequity is intolerable and unnecessary. The vast majority of these people are unemployed through no fault of their own. They are victims of a worldwide economic recession.

To remedy this serious problem the UMWA supports the use of substate areas to determine eligibility. Congressman Rick Boucher has introduced H.R. 2169, the Unemployment Compensation Fairness Act, which provides for the payment of extended benefits within 183 designated "economic areas" defined by the Bureau of Economic Analysis in the Department of Commerce. Each of the "economic areas" reflects a common or central economic interest. They coincide with existing county and city boundaries and, therefore, the collection of necessary data by the Department of Labor should not be difficult. Extended benefits would be triggered within one of these "economic areas" when the nominal or actual unemployment rate there is at least 9 percent for three consecutive months.

The UMWA urges the committee to consider favorably the proposals contained in H.R. 2169. The Unemployment Compensation Fairness Act.

The second problem with the current extended benefits program is the use of "insured unemployment rates" to determine the statewide average unemployment rate trigger. The insured unemployment rate (IUR) is the percentage of workers covered by the State unemployment compensation program who are claiming State benefits in a particular week. The IUR does not reflect the true unemployment rate. Rather, it dramatically underestimates unemployment because it includes only those people who are covered by the basic unemployment insurance program. And those who have already exhausted their benefits or who are for other reasons ineligible for benefits are not reflected—a particularly serious problem during periods of deep and long recession.

The UMWA believes that the insured unemployment rate should be replaced by the total unemployment rate in determining the trigger for extended benefits. This is a more equitable and sensible approach because it will render the program responsible to real needs. There are several pieces of legislation pending before the

committee that would make this change. And the UMWA hopes the committee will support these changes.

In conclusion, Mr. Chairman, the UMWA believes it is vital that the Federal-State extended Unemployment Compensation Act be fair and that it truly meet the financial needs of unemployed Americans. There are many unanswered and perhaps unanswerable questions about the course of the economy; but it is clear that, for the near future, unemployment will remain high. It is the hope of the UMWA that Congress provide the necessary assistance to the unemployed. Thank you Mr. Chairman.

Chairman FORD. Thank you, Mr. Jarvis.

Mr. Warden, let's go back a moment.

You have been here in the committee room today—you and Mr. Seidman and Mr. McGlotten, as well as Mr. Jarvis, and you, Mrs. Robinson, as well. We are approaching the September 30 date for the Federal supplemental compensation to expire, which is about 2½ weeks from now, and we are talking about the change in some of the provisions with the extended benefits.

I think Mr. Seidman indicated that we could go back, I guess, to 4, and I guess remove the 120 percentage points of IUR, and the 120, which would mean if you drop the 120, it would go back to 4 points for the IUR, which will pick up and approximately 15 or 17 States outside of the two, plus Puerto Rico now.

That is one way, I guess, we could do it. Did you have any cost factors in that, coming back to you, Mr. Warden, since I got on the IUR question with Mr. Seidman—and I guess the real question is whether or not we will have time to move a bill out of the House and whether or not the Senate and the administration would support such a change. Mr. Benjamin indicated that it would be recommended to the President to veto any legislation that would be forthcoming that would change any of the provisions within the extended benefits that are now law under the Reconciliation Act of 1981, thinking in terms of the 2½ week period before the expiration period will run in the Federal supplemental compensation bill.

I am just wondering how did you accept and can you respond to the Administration, or do you know how the Senate might respond to the legislation?

I am only raising that question because of the time element that is involved here.

Mr. SEIDMAN. Well, let me just say, Mr. Chairman, that I was testifying essentially to what we see as very defective aspects of the present program. The question of what can be done in the time that is at your disposal is a question which I would leave to the gentleman on my left and my right because they follow the legislative developments much more closely than I do.

Mr. Chairman, let me say that the time remaining before the expiration date, I think, gives you enough time to really address the issue. Prior to October of last year, I think the majority of the Members of this Congress were not aware of what was going on relative to the whole question of the changes made in EB.

I am absolutely surprised in terms of looking at the political makeup of the Senate at the kind of support that Senator Byrd is gaining for his bill which tries to correct some of those inequities that were in the 1981 Reconciliation bill.

I think that you will find that there are Members of Congress and the House and also members of the Ways and Means Commit-

tee who are very much concerned about what is going on in their particular area.

The disparity grows more and more. I remember in 1974, the difference between the IUR and the TUR was something like 3 percentage points.

Now today it is almost 6 percentage points. Take, for instance, in Virginia where the IUR is only 1.37. In your State alone, Mr. Chairman, you have got a serious situation where you are only at 3.08 IUR, but the real fact of the matter is that in Memphis, you are facing 10 percent of unemployment, and the same is true of Michigan.

Chairman FORD. Well, I think the question goes back to the time in which we will have to work within, and I am only concerned about some of the unemployed witnesses who testified today who indicated and I think Mr. Bailey indicated earlier that he has five weeks left of unemployment benefits from the Federal supplemental program himself.

He was concerned that unless the Congress acted to extend the FSC program, then he would no longer be eligible for those remaining weeks of unemployment compensation. I share with you the concerns that have been expressed here before this subcommittee, but at the same time I am just wondering as it relates to——

Mr. SEIDMAN. Mr. Chairman, take that worker. He has 5 more weeks. If the program is extended, as it is now, there is no EB. There is just the Federal supplemental compensation.

If the level in his State is, let's say 8 weeks, that means that that worker will have only 3 more weeks and we are going to have just millions and millions of long-term jobless workers in this country who will very soon be out of all benefits if we have just a simple extension.

Chairman FORD. I would agree with that because I think he indicated that he started to receive in his State unemployment compensation benefits somewhere in April and I guess he was denied his EB benefits because the State of Pennsylvania triggered off anyway.

Mr. WARDEN. Mr. Chairman, I think you would agree, in fact, with the statement that an extended benefit program that provides benefits in only two States and Puerto Rico in a time when we are experiencing the kind of unemployment we are is a program that simply does not deal with the problem. We were not delighted with the extended benefits program as it existed prior to 1981.

We thought there were a lot of things that should be done to that program to improve it. But, good lord, when you look at what was done in 1981 and the way that program was decimated, I think you would find, Mr. Chairman, that there is a lot different climate today than there was then.

Most Members of Congress in 1981 when the reconciliation bill passed were not fully cognizant of the implications and what that legislation had done. Today, Members of Congress are well aware because they are hearing from their constituents who are hurting and whose families are hurting.

I think that is what we are saying. We want you to do as much as you possibly can, as fast as you possibly can. What we are saying

to you today is that there is a lot to do to this program to make it worthy of the name.

The Federal supplemental compensation program is not meeting the need, and the EB program is a shambles.

Mr. SEIDMAN. I know I speak for all of us here in saying that we are glad to do anything we can to work with you to improve on this program as much as possible in ways in which it is already clear that there is a need and the ways of doing it and within the limits of time that you have available to you.

Mr. JARVIS. Understanding the real time constraint, I think in accompanying what people have said here today is that we want to see the FEC program extended for everything that has been said here today.

Realizing that is a very short time to the end of the month, but we are afraid to a certain extent, I think our union is, that if the pressure of that deadline comes off then the other changes that are really needed may lag.

If there were some assurances that an extension could go through but the pressures that you are faced with around the reality of the administration's statements here today lead us to believe that action now is important and I wholeheartedly agree and concur with the statements that the sentiment of the Congress has changed dramatically since 1981 and that as you, Mr. Chairman, and a few others stood in 1981 in opposition to a number of things that were occurring, I think you would find that you had a lot more allies at this time, but you are faced with a very difficult situation.

Chairman FORD. Thank you. Let me assure the panel that the subcommittee has every intention of moving to expedite the legislation and look into the areas which you have discusssed as well as other witnesses who have testified today.

We also are cognizant of the fact that we know that the FSC program expires on September 30, but that does not mean that we are not going to look at every aspect of the unemployment compensation as it relates to those 11 million people who are out there out of work and need help desperately.

Mr. MCGLOTTEN. You can be assured of our assistance, Mr. Chairman.

Chairman FORD. Thank you very much.

Mr. SEIDMAN. We appreciate that very much.

Chairman FORD. The committee will stand in recess for a period of 10 minutes. There is a vote on the House floor and immediately when we return the Chamber of Commerce will be the next witness.

[Recess.]

Chairman FORD. The committee will come back to order.

The Chamber of Commerce of the United States, Mr. James Surratt, unemployment compensation manager of the Kroger Co., Cincinnati, Ohio; and Mr. Eric J. Oxfeld, employee benefits attorney.

The Chair will recognize Mr. Surratt.

STATEMENT OF JAMES A. SURRATT, UNEMPLOYMENT COMPENSATION MANAGER, THE KROGER CO., CINCINNATI, OHIO, ON BEHALF OF THE CHAMBER OF COMMERCE OF THE UNITED STATES, ACCOMPANIED BY ERIC J. OXFELD, EMPLOYEE BENEFITS ATTORNEY

Mr. SURRATT. Mr. Chairman, members of the subcommittee, my name is James A. Surratt, and I am manager of unemployment compensation for the Kroger Co., Cincinnati, Ohio and a member of the U.S. Chamber's Council on Unemployment Compensation, and also president of the national, multiindustry task force on State unemployment compensation.

With me today is Eric Oxfeld, the chamber's employee benefits attorney.

Our detailed report has been submitted for the record.

Chairman FORD. Without objection, it will be made a part of the record, Mr. Surratt.

Mr. SURRATT. We appreciate your including our full written statement in the record.

We appreciate the opportunity to appear on behalf of the chamber to present our views on unemployment compensation, extended benefits and on the Federal supplemental compensation program. Because there are at least 22 bills pending, affected EB, FSC or both, our statement discusses general principles rather than specific legislation.

The U.S. Chamber strongly supports a sound unemployment compensation program for workers who are temporarily unemployed through no fault of their own. During periods of high and rising unemployment, it is appropriate for States to extend the maximum duration of benefits because it may take longer than normal for claimants to find work.

That need is fulfilled by the EB program. As a result of recent amendments, the present program is a sound one. Those changes targeted EB on workers who are in need of extra assistance and must be retained, but Congress should refrain from unwise proposals to change the triggering and financing mechanism for EB.

Additional fine-tuning of EB would be desirable to help claimants find new jobs, disqualify claimants out of work because of a labor dispute, and require States with stable unemployment rates to trigger off EB.

The FSC program, however, is serving the long-term unemployed and goes beyond the appropriate scope of unemployment insurance. In some instances, it discourages early return to work in States where employment prospects are improving.

We urge the following changes be made to fine-tune the EB program:

One, require claimants to participate in intensive job search assistance program.

Two, deny benefits to individuals out of work because of a labor dispute.

Three, require States with stable unemployment rates to trigger off.

We oppose proposals to change the EB program: One, trigger on based on the total unemployment rate; two, extension for areas

smaller than statewide; three, use general revenues for a larger percentage of the FUTA revenues to finance a portion of the extended benefits cost during periods of high national unemployment; and four, forgive part of the EB debt.

The combined regular benefits, extended benefits, and FSC benefits may total 53 weeks plus 10 additional weeks under the reach-back provision. There is very little incentive for an individual claimant to seek employment with this amount of unemployment benefits available from the various programs.

While strongly supportive of the unemployment compensation program for short-term unemployment, business is equally strongly convinced that this program is ill-equipped to meet the needs of the long-term and the structurally unemployed.

Recent studies by the Department of Labor of the demographic and economic characteristics of claimants casts doubt on how well FSC is targeted on the currently displaced workers for whom it was intended. This study suggests that there are some genuinely needy individuals receiving FSC but also a higher proportion of claimants for whom the extra benefits represent a real windfall.

Studies have repeatedly demonstrated that extending the potential duration of benefits is an inducement for individual claimants to draw benefits longer and takes away the incentive for the claimant to search for work.

In many cases, unemployment compensation benefits, combined with other sources of public aid, are more than the claimant's take-home pay while employed. Individuals earning that State average wage may actually come out ahead on unemployment compensation benefits, food stamps and other assistance and it is not hard to understand why they might take their time looking for jobs.

Our philosophy holds that the emphasis should be given to reemployment assistance rather than prolonged income maintenance.

The U.S. Chamber strongly supported the 1982 Job Training Partnership Act.

$110 million has already been provided for displaced workers in fiscal year 1983, and the 1984 fiscal budget request is for $223 million.

If the Federal supplemental compensation program is reauthorized, it would be greatly improved by converting it to a reemployment assistance program for workers with established work histories and who otherwise cannot help themselves.

Workers who have only 20 weeks of employment should not be eligible to receive more than 1 year of weekly benefits. In addition, claimants who leave their jobs voluntarily or are fired for just cause, should not be entitled to supplemental benefits.

Additionally, claimants who leave their jobs in labor disputes should not be permitted to draw supplemental benefits.

The claimant for FSC should be required to participate in an intensive job search program and this assistance can be provided by title III of JTPA. The FSC program, if authorized, should be financed in full by Federal general revenues, and this includes administrative cost as well as benefits.

We thank you for the opportunity to present our views and we would be happy to work with the members of the subcommittee in

developing appropriate improvements to the unanimous-consent system.

Thank you.

[The prepared statement follows:]

STATEMENT OF JAMES A. SURRATT

PRINCIPAL POINTS

1. The U.S. Chamber supports the present program of unemployment compensation (UC) extended benefits (EB).

2. Changes in EB enacted in 1980 through 1982 were necessary reforms, justified by sound policy. These reforms should be retained.

3. For the first time in its history, the solvency of the Federal share of EB is assured, in part because the reforms were spending reductions, and in part because Congress increased the Federal Unemployment Tax last year.

4. Congress should refrain from enacting unwise proposals to use the total unemployment rate (TUR) to trigger benefit extensions, extend duration for smaller than states, or change the mix and source of financing EB.

5. Additional "fine tuning" of EB would be desirable to improve work search assistance, disqualify claimants who are out of work as the result of a labor dispute, and require states to stop paying EB when economic conditions return to normal.

6. The Federal Supplemental Compensation (FSC) program goes beyond the appropriate scope of a UC program. It is poorly targeted, and in some instances discourages workers from taking jobs.

7. If FSC is retained, Congress should convert it to a reemployment assistance program targeted on permanently dislocated workers, within the framework of Title III of the Job Training Partnership Act.

8. Finally, Congress should assure that the full costs of FSC—including administrative costs—are funded by federal general revenues.

STATEMENT

My name is James A. Surratt. I am Manager of Unemployment Compensation for the Kroger Company, Cincinnati, Ohio, and a member of the U.S. Chamber's Council on Unemployment Compensation. I also am President of the national, multi-industry Employers' Task Force on State Unemployment Compensation. I am accompanied by Eric J. Oxfeld, the Chamber's Employee Benefits Attorney and staff executive for the Chamber's Council on Unemployment Compensation.

We appreciate the opportunity to appear on behalf of the Chamber to present our views on two programs for the unemployed—extended benefits (EB) and Federal Supplemental Compensation (FSC). Because there are at least 22 bills pending affecting EB, FSC, or both (see appended chart), our statement discusses general principles rather than specific legislation.

The U.S. Chamber strongly supports a sound unemployment compensation UC program for workers who are temporarily and involuntarily unemployed. During periods of high and rising unemployment, it is appropriate for states to extend the maximum duration of benefits because it may take longer than normal for UC claimants to find work.

That need is fulfilled by the EB program, which is an automatic benefit extension required by the Federal-State Extended Unemployment Compensation Act. As a result of recent amendments to that Act, the present program is a sound one. The reforms accomplished by those amendments were necessary and must be retained. Conversely, Congress should refrain from unwise proposals to change the triggering and financing mechanism for EB. Additional fine tuning of EB, however, would be desirable to help claimants find new jobs, disqualify claimants out of work because of a labor dispute, and require states with stable unemployment rates to trigger off EB.

The FSC program, however, in serving the long-term unemployed, goes beyond the appropriate scope of unemployment insurance. As presently constituted, it is poorly targeted on states experiencing high unemployment, and eligibility is too broad. In some instances, it discourages early return to work in states where employment prospects are improving.

We will first discuss the EB program, then the FSC program.

EXTENDED BENEFITS PROGRAM

Under the EB program, federal law requires states to pay up to 13 additional weeks of UC benefits to claimants who have exhausted their "regular" benefits of up to 26 weeks. Payment of EB in accordance with federal dictates is a conformity requirement, violation of which would deny employers the standard tax credit under the Federal Unemployment Tax Act (FUTA) for operating in a state with an approved UC program.

A state must pay EB during certain periods. An EB period begins whenver the statewide insured unemployment rate (IUR) reaches a statutory level or "trigger" and continues while the statewide IUR equals or exceeds the trigger rate. However, an EB period lasts a minimum of 13 weeks, and a state that has triggered off EB may not trigger back on for 13 weeks. The IUR is derived by dividing the number of claims for regular benefits into the number of workers covered by unemployment insurance.

States must pay EB when the statewide IUR is 5.0 percent or more and has increased 20 percent relative to the average rates for the corresponding 13-week periods in the preceding two years. States may waive the 20 percent increase requirement, however, when the statewide IUR is 6.0 percent or higher, and all but 13 states do so.

Federal law requires that benefits and eligibility criteria for EB be the same as applied to the last week of regular benefits, except that states may not pay EB to any claimant who has worked less than 20 weeks or the equivalent during the qualifying period.

Unlike regular benefits, which are financed wholly by state unemployment tax revenues, EB is financed in equal measure from state unemployment taxes and FUTA revenues. At present the federal share of EB is financed by .32 percent of the standard FUTA rate of .8 percent, of which .2 percent is a temporary surtax.

The federal share of EB is credited to the Extended Unemployment Compensation Account (EUCA) in the Unemployment Trust Fund. The U.S. Labor Department (DOL) projects that EUCA will be in deficit by $6.8 billion at the end of fiscal year 1983 (April 26, 1983, UI Outlook). Of that amount, however, only $1.0 billion is attributable to EB; the remainder is the legacy of the Federal Supplemental Benefits program, a temporary extension of benefit duration for EB exhaustees during the late 1970's. DOL forecasts that the EB debt will be repaid in full in fiscal year 1984, and the entire EUCA debt will be repaid in fiscal year 1986. Repayment has been accelerated by a 1982 FUTA surtax dedicated entirely to FUTA until the debt is repaid. The .2 percent will expire when the EUCA debt is repaid.

History of extended benefits program

The permanent EB program established in 1970 was the product of dissatisfaction with previous temporary benefit extensions that were criticized for getting under way too late. Although Congress temporarily lowered the EB trigger rates on several occasions in the early 1970's, the program was essentially unchanged until a series of amendments beginning in 1980.

Amendments enacted in 1980 ended eligibility for interstate EB claims unless both the agent state and the payor state are in EB periods. A separate enactment that year also withheld the federal share of the first week of EB in states that do not require a non-reimbursable waiting week for regular benefits. And it required states to disqualify EB claimants who were fired for misconduct, fail to seek suitable work, or refuse an offer of suitable work. "Suitable work" is defined as any job that pays at least the minimum wage or the claimant's weekly benefit amount, whichever is higher. The 1980 amendments were designed to limit EB to those whose circumstances warranted an extension of benefits.

Additional amendments in 1981 further focused the EB program on states and individuals in need of extra assistance. Those amendments eliminated the use of a national trigger of 4.5 percent nationwide IUR, raised the state triggers by 1 percent, stopped counting EB claims in calculating the IUR, and limited eligibility for EB to individuals who had worked at least 20 weeks or the equivalent.

This year, however, the trend was interrupted when Congress allowed states to pay EB to claimants who are unavailable for work because they are hospitalized or on jury duty.

EB amendments were needed reforms

With few exceptions, these amendments have been needed reforms that targeted the extensions on individuals and states that needed them most. Let me briefly review their rationale.

1. Eliminate the national trigger. The national trigger required all states to exend benefit duration whenever the national unemployment rate reached the trigger level. However, state unemployment rates vary widely, even during major economic downturn. Consequently, when the national trigger was on, duration was extended in states where economic circumstances did not justify such an extension. In fact, because the average claim duration is known to increase with increases in the maximum duration, the national trigger discouraged workers in states with a tight labor market from accepting jobs.

2. Raise the state trigger to 5.0 and 6.0 percent. Duration should be extended only when economic conditions warrent the additional expenditure. The 4.0 and 5.0 percent triggers, in light of the current composition of the workforce, simply did not represent a level of unemployment justifying the EB extension.

3. Require 20 weeks of work or the equivalent to qualify for EB. UC benefits are intended only for individuals with a strong attachment to the workforce. It is appropriate, therefore, that an individual entitled to 39 weeks of combined regular benefits and EB should have worked at least 20 weeks before layoff.

4. Disqualify claimants who fail to accept minimum wage jobs. While one purpose of UC is to allow an individual who loses a job a period of time to search for suitable work rather than accept the first job offer, society is not obligated to allow search for a similar job to continue indefinitely. As the duration of an individual's claim lengthens, it is appropriate to narrow the range of choices. Several states, for example, require claimants to accept jobs paying less than their pre-layoff earning after drawing benefits for an initial period. Once a claimant has been out of work for as long as 6 months, a job paying at least the minimum wage or the amount of the claimant's benefits should be considered "suitable".

5. Disqualify a claimant who is fired for misconduct or leaves work voluntarily. UC benefits should be paid only to individuals who lose their job through no fault of their own. They should not be paid to individuals who leave work voluntarily or are fired for misconduct. It is appropriate for federal law to deny EB to such claimants.

6. Withhold the federal share of the first week of EB from states that do not have a noncompensable waiting period. Recognizing that the costs of UC are nearly entirely paid by employers, and that for many individuals the duration of unemployment is brief, it is appropriate for states to pay benefits beginning in the second week of unemployment. Some states do not use a waiting week, however. Some States that do use one pay benefits retroactively when the duration of a claim exceeds a prescribed number of weeks. While we oppose a federal standard requiring a noncompensable waiting week, because we are opposed to federal standards governing the regular UC program, we support requiring claimants to serve a noncompensable waiting week as an eligibility condition for receipt of EB.

7. Count only regular claims in calculating the IUR. The practice of counting claims for regular benefits and EB resulted in an inflated IUR that caused states to continue paying EB longer then a state that had the same percentage of workers unemployed by that had never triggered on. That effect could occur because individuals who exhausted their regular benefits would still be counted as unemployed in the first state but not in the second. In 1980 the Labor Department recognized that this practice was unfair and attempted to stop computing the IUR based on EB claims. A federal court, however, ruled that legislation was necessary to make such a change, and the Carter administration asked Congress to do just that, although the actual legislation was enacted during the Reagan administration.

Because of the sound policy reasons for the seven key reforms outlined above, Congress should retain them.

Additional fine tuning of EB

We recommend the following changes be made to fine-tune the EB program:

1. Require EB claimants to participate in intensive job search assistance programs. Such participation should be mandatory for EB claimants, who can be presumed, by virtue of 6 months of unemployment, to require help with writing resumes, practicing interviewing, and developing job search skills. At present, efforts by the FUTA-funded U.S. Employment Service to teach claimants how to find jobs on their own are regarded as "experimental," although they have proven to be successful in shortening the duration of unemployment and eliminating claimants who have unreported jobs.

2. Deny EB to individuals out of work because of a labor dispute. UC is intended for individuals out of work through no fault of their own, and those individuals who leave their jobs as the result of a labor dispute should not be entitled to draw UC benefits. Although only New York and Rhode Island pay benefits to strikers outright (after a waiting period), court decisions in many other states require that

benefits be paid to strikers if the employer is able to continue operations during the strike. Studies show that strikes in New York and Rhode Island end when UC benefits run out. The right to strike is important, but it is unfair to force employers to subsidize strikers. We would oppose a federal standard disqualifying strikers from receipt of regular benefits, but Congress should disqualify EB claimants who are out or work as result of a labor dispute.

3. Require states with stable unemployment rates to trigger off. The optional trigger allows states that have stable but relatively high IURs to continue paying EB. Because one-half of EB is FUTA-financed, benefit costs in these states are subsidized by all states. The federal-state UC partnership, in recognition that each state has unique economic conditions, contemplates that each employer and state will essentially pay their own UC costs. However, it is appropriate to pool part of EB (the federal share), in recognition of the national responsibility during economic downturns. Several states have stable but relatively high unemployment rates, but the optional trigger allows them to continue paying EB long after there is a return to normal economic conditions. Consequently, part of their benefit costs are pooled inappropriately. Puerto Rico's current EB period, for example, began February 23, 1975. Congress should put a limit on how long a state may qualify for EB without meeting the 20 percent increase requirement.

Other issues

We oppose the following proposals to change the EB program: (1) use a trigger based on the total unemployment rate (TUR), (2) trigger benefit extensions for areas smaller than statewide, (3) use general revenues or a larger percentage of FUTA revenues to finance a portion of EB costs during periods of high national unemployment, and (4) forgive part of the EB debt.

1. Trigger based on TUR. EB is not payable in states that have low IURs but high TURs. The IUR is a preferable yardstick because it is a true measure of unemployment among individuals covered by unemployment insurance, whereas the TUR is an estimate that includes many individuals who are unemployed but have not been in the workforce or have exhausted UC benefit eligibility.

2. Area triggers. We oppose extensions for areas smaller than states. Federal, state, and local officials admittedly are unable to measure the unemployment rate accurately for sub-state areas. Moreover, the mobility of the workforce makes an area trigger difficult to administer.

3. Finance EB with federal general revenues or a higher percentage of FUTA. Employers accept financial responsibility for the EB program, and it is fair to split the costs equally between state unemployment tax revenues and FUTA revenues. For the first time in the history of the EB program, the federal government is raising sufficient FUTA revenues to meet its share of the costs. The states, however, must also face up to their responsibility for part of the costs.

4. Forgive part of the EB debt. While we do not support forgiveness of the EB debt, we do believe that the $5.8 billion EUCA debt attributable to the Federal Supplemental Benefits (FSB) program should be charged to general revenues. Benefits paid after 39 weeks should not be an employer responsibility, as Congress recognized when it established the present Federal Supplemental Compensation program.

EB cost increases could create hardship

Although there is a sound policy basis for the positions reviewed in this statement, it should not be overlooked that costly changes in EB could create hardships for the states and would have adverse budgetary consequences for the federal government.

One-half of EB costs are financed by state unemployment taxes. A record number of states have received interest-bearing federal loans because their UC trust accounts have insufficient funds to meet present benefit obligations. Many of them have raised taxes and restricted benefits in an effort to restore solvency. New, unanticipated benefit expenditures would add pressure for still greater sacrifices in states where economic recovery is barely under way, and could even deprive them of the interest relief and other assistance Congress granted earlier this year.

The federal budget would also be affected. Unless there were offsetting improvements in solvency, higher EB costs would add to the federal deficit because state UC trust accounts and the federal share of EB are included in the unified federal budget.

FEDERAL SUPPLEMENTAL COMPENSATION PROGRAM

The FSC program provides additional weeks of benefits for claimants who remain unemployed after exhausting their regular benefits and EB, if any. This temporary program, established in 1982, will expire on September 30, 1983.

The number of weeks of FSC payable to a claimant varies according to the insured unemployment rate within a state, as follows: 6 percent IUR—14 weeks; 5 percent IUR—12 weeks; 4 percent IUR—10 weeks; and other—8 weeks.

However, for claimants whose FSC claims were first filed before March 31, 1983, there is a "reachback" provision—an additional FSC entitlement (by state) as follows: 6 percent or higher IUR—10 weeks; 5 percent but less than 6 percent—eight weeks; 4 percent but less than 5 percent—eight weeks; and less than 4 percent—six weeks. Moreover, a "phaseout" provision allows claimants to draw up to half their entitlement after the FSC program expires.

Combined regular benefits, EB, and FSC may total 53 weeks, plus another 10 weeks under the reachback. Benefits and eligibility criteria for FSC are the same as for EB.

Unlike EB, however, FSC is financed by federal general revenues—except for the costs of administration, which are paid out of FUTA revenues (notwithstanding the enabling legislation, which expressly provides for federal general revenues to cover the cost of administration as well as benefits).

History of FSC program

The FSC program was established, effective September 12, 1982, by the Tax Equity and Fiscal Responsibility Act. Originally it provided an extension of 6 to 10 weeks, and the program was slated to expire March 31, 1983. A subsequent amendment added 2 to 6 additional weeks, but the present duration provisions were adopted last March, when Congress continued FSC through September 30, 1983. Just prior to the August recess, Congress approved legislation that preserves the longer duration of benefits in states whose unemployment rate has dropped.

Characteristics of FSC claimants

While strongly supportive of the UC program for short-term unemployment, business is equally strongly convinced that this program is ill-equipped to meet the needs of the long-term and structurally unemployed. That conviction was confirmed by a recent DOL study of the demographic and economic characteristics of FSC claimants. The study casts doubt on how well FSC is targeted on the permanently displaced workers for whom it was intended.

For example, 45 percent of FSC claimants were employed in service industries, which experienced an overall growth in employment—more than in manufacturing industries (43 percent). An outright majority of FSC claimants under the reachback was from service industries. In fact, the proportion of FSC claimants from service industries is nearly 40 percent greater than the comparable proportion for regular UC claimants, although the unemployment rate is one-half that of manufacturing.

The figures also cast doubt on the magnitude of the need for a supplemental extension. A significant proportion of FSC claimants—a full 17 percent—were unemployed by reason other than layoff (including 11 percent who had been fired from their last job plus 4 percent who had quit, retired, or were on strike). Relative to regular UC claimants, the study concluded that "FSC benefits are more often received by individuals whose joblessness is due to factors other than the current recession."

Moreover, nearly two-thirds of FSC claimants either had a working spouse or no dependents.

Finally, it is equally startling that many of those who received benefits for the longest time were those who had worked the shortest time. Twenty-four percent of FSC claimants worked less than 30 weeks, compared to only 18 percent of regular UC claimants.

This study suggests that there are genuinely needy individuals receiving FSC, but also a high proportion of claimants for whom the extra benefits represent a windfall.

Politics

The conclusions about FSC should not have been surprising. Similar information should have been available pertaining to the Federal Supplemental Benefits program (1975–79.) Clearly, political expediency has had as much to do with the design of FSC as other factors. To mention just a few egregious examples, 8 weeks of FSC

are paid in three states whose IUR is below 2 percent and in 13 more whose IUR is below 3 percent. Indeed, only 18 states have an IUR over 4 percent.

Impact of FSC on regular UC program

As stated earlier, the U.S. Chamber recommends that the UC system be limited to the 6-month regular program, plus an automatic extension under EB. Longer duration of benefits has an adverse impact on the regular program.

Economic studies have repeatedly demonstrated that extending the potential duration of benefits is an inducement for an individual claimant to draw benefits longer; serious efforts to find employment may be delayed until benefits are nearly exhausted. In many cases, UC benefits, combined with other sources of public aid, exceed the claimant's take-home pay while employed. Individuals earning the state's average wage may actually come out ahead on UC benefits, food stamps, and other assistance, and it is not hard to understand why they might take their time looking for jobs.

Of course, when claimants draw additional weeks of benefits, costs of the program increase accordingly. Even where the extension itself is financed by general revenues rather than employer taxes, there is an effect on the employer-funded part of the program. If, because of an extension, a claimant draws 19 weeks instead of 16, the 3 extra weeks are charged to employers—adding to the burden on the Unemployment Trust Fund, which already is in financial distress. Moreover, as already mentioned, employer taxes are used to finance the cost of administering all weeks of benefits, including those that are general revenue funded.

Furthermore, UC is an important component of our national employment and training and related human resources services. In addition to providing short term cash assistance, UC provides job market services designed to aid in the pursuit of reemployment. Unfortunately, the heavy claims load and the longer availability of benefits as a result of FSC inhibits the state administering agencies from providing these supplementary services.

Finally, this strain on state administrators also diverts resources that could be used to combat rampant fraud and abuse. DOL's random audit program suggests that as much as one-third of all benefits paid are improper payments—an unconscionable burden on the bankrupt Unemployment Trust Fund, employers and, ultimately, consumers.

JTPA is preferable to FSC

Improvements in the employment picture as the economic recovery continues should lessen the need for a long-term benefit program, but a development of greater significance may be the October 1 implementation of state programs for displaced workers under Title III of the 1982 Job Training Partnership Act (JTPA), which the U.S. Chamber strongly supported.

Under Title III, the federal government provides funds for training and retraining, job search assistance, placement, relocation assistance, and other aid. States must apply for grants, identifying the need, activities, and projected results. States determine who is "dislocated," which would include those affected by import competition, mass layoffs, plant closings, and federal government actions.

States are required to match a portion of the federal grant, but the percentage is reduced for states experiencing high unemployment. Participants in Title III programs may not be disqualified from receipt of UC because of failure to be available for or seek work. $110 million has already been provided for Title III in fiscal year 1983, and the fiscal year 1984 budget request is for $223 million.

Improvements needed if FSC retained

If FSC is continued, it would be vastly improved by conversion to a reemployment assistance program for workers with established work histories who otherwise cannot help themselves.

Paying a year or more of benefits to a claimant who worked only 20 weeks is a waste of scarce resources; 30 or more weeks of work should be the minimum requirement for FSC. In addition, supplemental benefits should be denied to individuals who leave their jobs voluntarily or are fired.

Similarly, claimants who choose to leave their jobs in a labor dispute should not be permitted to draw prolonged income support. Although only a few states' UC laws overtly provide benefits to strikers, many states, by judicial interpretation, pay benefits if the labor dispute does not force the employer to close down. Equity demands that the federal government be neutral with respect to labor disputes. It should stop spending tax payers' dollars to subsidize strikes. Federal laws governing

EB and FSC should be amended to disqualify a claimant who is out of work because of a labor dispute.

Most importantly, FSC eligibility should be conditioned on participation in a reemployment program providing intensive job search assistance, as well as referral to retraining for those claimants who cannot find jobs unless their skills are ungraded. The framework is contained in the Displaced Workers Title (Title III) of JTPA, which encourages states to offer placement assistance and training for job losers whose skills must be updated in order to find new jobs. Title III expressly exempts participants from UC work search requirements while in approved training. In the past, few individuals took advantage of even the limited training opportunities, in part because the availability of long-term UC or Trade Adjustment cash benefits discouraged claimants from accepting permanent changes in the job market. Extension of benefit duration without mandatory job search or retraining encourages workers to postpone adjustment to permanent job changes and defeats the intent of JTPA.

In addition, a mean test might well be appropriate for FSC eligibility. Considering that FSC is funded by Federal general revenues—and considering the size of the budget deficit—a means test might well be a fair way to target the program to those with the greatest need.

Finally, any FSC program should be financed in full by federal general revenues—benefits as well as administrative costs.

CONCLUSION

The EB program has worked reasonably well. Following recent changes in eligibility criteria, it is better targeted on those who need an extension. Recent revenue provisions have, for the first time, made the federal share of the EB program solvent. Reforms adopted in 1980 to 1982 are sound and should be retained. Some additional fine tuning is desirable, but Congress should refrain from unwise proposals to trigger EB based on the total unemployment rate or extend duration for areas smaller than states, use general revenues or a larger percentage of FUTA to pay for it, or forgive the EB debt.

The FSC program, on the other hand, has not worked as well. If it is retained, we recommend that Congress provide general revenue funding of all administrative as well as benefit costs, that eligibility be limited to individuals with a strong attachment to the workforce, and that more emphasis be given to job search assistance and retraining, within the framework of the dislocated worker program under the Job Training Partnership Act.

ATTACHMENT

Key Provisions of Extended and Supplemental Benefits Bills
September 1, 1983

Bill Sponsor	Trigger Measure	EXTENDED BENEFITS				FEDERAL SUPPLEMENTAL COMPENSATION			
		Mandatory Trigger	Optional Trigger	Area Trigger	Other	Continues Through	Trigger & # Weeks	Beachback/ Phaseout	Other
S. 993 Durenberger				Yes - 6% IUR					
S. 1345 Pell/ Riegle	Counts EB & FSC in IUR	4% IUR and 20% increase until 8% TUR	5% IUR until 8% IUR						
S. 1387 Levin/ Specter						3/31/84			
S. 1589 Levin (& 5)	Study of improved trigger due within 2 months		11% TUR				11% TUR - 6% IUR		
S. 1620 Byrd							6% IUR - 20 wks. 5% IUR - 18 wks. 4% IUR - 16 wks. Other - 14 wks.		
S. 1663 Riegle/ Levin						3/31/84	11% TUR = 6% IUR 10% TUR = 5% IUR 9% TUR = 4% IUR	Beachback 10/8/6 wks. (claims before August 1, 1982). Phaseout.	Claimant entitled to [illegible] if number [illegible]

Bill Sponsor	Trigger Measure	EXTENDED BENEFITS				FEDERAL SUPPLEMENTAL COMPENSATION			
		Mandatory Trigger	Optional Trigger	Area Trigger	Other	Continues through	Trigger & # Weeks	Reachback/ Phaseout	Other
S. 1784 Byrd/ Heinz (D-W)	Study of improved trigger due June, 1984. BLS must triple size of IUR sample.	1. Replaces EB and FSC programs with permanent extension of up to 35 weeks: Extra Weeks — State Trigger — Optional TUR — State Tax — FUTA — Fed. Gen. Revenues 30 — 7% IUR & 5% incrs. — 12 — 20% — 20% — 60% 25 — 6% IUR & 5% incrs. — 11 — 30% — 35% — 35% 20 — 5% IUR & 5% incrs. — 10 — 40% — 45% — 15% 10 — 4% IUR & 20% incrs. — 9 — 50% — 50% 2. 5 more weeks added to all states when national IUR is 10%, financed from federal general revenues. 3. Percentage increase factor based on 6 year average. 4. IUR is seasonally adjusted. 5. Duration fixed on first day of each quarter, claimant entitled to longer period if number of weeks is reduced. 6. Interstate claims paid for duration of payor state. 7. States may waive work search requirements and may require 1-week intensive job search training. 8. During transition EB may trigger at 11% IUR & 20% increase is waived, FSC continued through 3/11/84.						
S. 1820 Levin					20 wks. of work test satisfied if worked 20 wks. in prior year's base period.				
H.R. 233 Oberstar (D-25)	Counts EB & FSC in IUR	4% IUR and 20% increase	5% IUR	Yes - standard trigger		9/30/83		Reachback - adds 10 wks. to each category	
H.R. 1160 La Falce (D-36)			7% IUR	Yes - standard trigger or 9% IUR					

Bill Sponsor	Trigger Measure	EXTENDED BENEFITS				FEDERAL SUPPLEMENTAL COMPENSATION			
		Mandatory Trigger	Optional Trigger	Area Trigger	Other	Continues Through	Trigger & # Weeks	Reachback/ Phaseout	Other
H.R. 1736 Nowak				Yes - standard trigger or 8% TUR					
H.R. 2080 P. Williams		6% TUR and 20% increase	5% TUR	Yes - standard trigger or 5% TUR					
H.R. 2169 Boucher (& 18)			9% TUR	Yes - standard trigger or 9% TUR					
H.R. 2919 Davis					Waives 20 weeks of work requirement for claims before 1/1/83				
H.R. 3112 Feighan (& 19)			9% TUR						
H.R. 3190 Pease (& 26)	Counts EB & FSC as IUR								
H.R. 3197 Pease (& 26)		6% IUR and 20% increase	5% IUR						
H.R. 3433 Mollohan (& 91)						3/31/84			

Bill Sponsor	Trigger Measure	EXTENDED BENEFITS				FEDERAL SUPPLEMENTAL COMPENSATION			
		Mandatory Trigger	Optional Trigger	Area Trigger	Other	Continues Through	Trigger & # Weeks	Reachback/ Phaseout	Other
H.R. 3573 Kaptur (& 33)	Counts EB & FSC in IUR					3/31/84			
H.R. 3575 S. Levin/ Vander Jagt (& 33)	Study of improved trigger due within 2 months		11% IUR				11% IUR = 6% IUR		
H.R. 3822 Kaptur						3/31/84		Reachback: 6% IUR - add 10 wks. 5% IUR - add 8 wks. 4% IUR - add 5 wks. other - add 0 wks.	
H.R. 3823 Kaptur	Counts EB & FSC					3/31/84		Reachback: 6% IUR - add 10 wks. 5% IUR - add 8 wks. 4% IUR - add 5 wks. other - add 0 wks.	

EB = Extended Benefits
FSC = Federal Supplemental Compensation
FUTA = Federal Unemployment Tax Act
IUR = insured unemployment rate
TUR = total unemployment rate
incrs. = increase
wks. = weeks

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Chairman FORD. Mr. Moore.

Mr. MOORE. No questions.

Chairman FORD. Thank you very much, Mr. Surratt.

Mr. Eric Oxfeld.

Mr. OXFELD. Mr. Surratt presented the views of the chamber.

Chairman FORD. Very good. I would like to thank the two of you for appearing before the subcommittee today. Thank you.

Mr. Cecil Blache, administrator, Louisiana Office of Employment Security, and at this time I yield to Mr. Moore.

Mr. MOORE. Mr. Blache has been before our subcommittee on several occasions. He is considered an expert in his field and has done an outstanding job. He is the new chairman of the Unemployment Insurance Committee of the Interstate Conference of Employment Security Agencies, Inc.

He has testified before our committee before, and I am glad to have him back.

Chairman FORD. At this time, we will recognize you.

STATEMENT OF CECIL J. BLACHE, ADMINISTRATOR, LOUISIANA OFFICE OF EMPLOYMENT SECURITY, ON BEHALF OF THE INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

Mr. BLACHE. I would like that you, at this time, accept our statement.

I will summarize the aspects of that statement right now. I am here representing the Interstate Conference of Employment Security Agencies. It is the organization representing State administrators of unemployment compensation laws and public employment offices throughout the country.

Our position insofar as the extension of FSC, in March, when there was an extension, the members of our organization did support such an extension. We have our annual meeting coming up next week, and we have not had the opportunity to go on record in support or in opposition of any extension of the FSC program.

We don't have a position on it right now until we are able to get a vote. With regard to the proposed changes in the extended benefit program, the effect of the combined changes which took place in the EB program over the last couple of years has had the effect of limiting the number of States which are eligible for the program, as has been brought out in earlier testimony.

We feel that there is a possibility that the limitation went beyond the original intent, and we feel that the present system and the suggestions insofar as the extended benefit program should be explored further.

We think that it needs to be reviewed and determine if, in fact, there are needed changes in the program.

We feel in some instances there are. There are only right now three States where EB is being paid, Louisiana, my own State, West Virginia, and Puerto Rico. These three States have historically had the most liberal benefiting qualification requirements, and as such, that is what keeps us with a higher IUR than most other States, which allows us to continue in an EB program.

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Another aspect is the question of alternative triggers for extended benefits. The use as of right now to IUR, we also agree, may have problems. There may be some problems with use of the IUR.

The TUR is not a very good one to use right now. We are not saying that it shouldn't be used but it is not very reliable based on a method of arriving at the TUR. There is more work that needs to be done in this area to determine, in fact, which is the best trigger to use in triggering in and out of EB and FSC programs.

Insofar as substate triggers, we are very concerned about substate triggers and feel it would create serious inequities among unemployed workers and provide an environment for potential abuse.

The concern so far as inequities is we might have workers who work side by side on the same job; they go home to possibly different substate areas, so these individuals, one may come out of or into an area where he could qualify for more weeks than a man who is similarly situated, but happens to live a couple of miles over who would not be able to come under certain benefits because of the extension.

In addition, we have the possibility of abuse. If a person knows that the other substate area is one in which he would get additional weeks from the one he lives in, there is the possibility of exchanging of addresses. There are serious problems we feel in considering substate areas, and we would discourage such a movement.

I would like to address specifically some of the aspects of S. 1784, and in particular, the discussion of the concept of the sliding scale of increasing Federal responsibility for financing and increasing general revenue share of the Federal responsibility.

Well, it has been consistent with the philosophy of the current system, we feel, and we don't have a position right now except to say that it is worth exploring further. We think that improvements in the system are needed.

S. 1784, as it is now structured, does provide for increased outlays from both State and Federal unemployment trust funds. We feel that that should be looked at very seriously, considering the level of insolvency of the system nationally, not only State but the Federal system, and at the same time, we have to balance the concerns of additional costs with the problems of the unemployed people.

Also, some aspects of S. 1784 we feel really should be addressed, and we urge that you support permitting the States more flexibility in setting search for work requirements for FSC and EB.

Under the Federal requirements, a person has to search for work each and every week. We are not discouraging that, but in some instances, there just are not any jobs available. If there are not any jobs available, we are sending people back to the same worksites time and time again, and the employers are getting annoyed.

There is some need for State involvement in the search requirements. Also, we would like to address the problems, the interstate claims for benefits under FSC. As relating to interstate claims, a person comes under the State he lives in or the liable State, whichever is the lower of the two.

The problems that we have with the different requirements to determine which State would get what number of weeks under

FSC, it presents a serious problem in administering, and it costs time and a lot of staff time and a lot of problems when you go back and forth.

We feel that this should be uniform and should be determined by the number of weeks in the State that is liable for the benefits to the claimant.

In conclusion, I would just like to say generally that the current FSC is so complicated that even our own employees who are experts have a hard time keeping up with the constant changes. With our employees having these problems, and the additional problem that so many of our employees are temporaries, you can imagine the problems we face in explaining this to the claimants who want to understand why they are not receiving benefits or why they shouldn't be receiving more.

The system is very, very complex and we feel there is a serious need for an overhaul of the FSC program so that it can be simplified in a manner that it can be much better understood by the claimant community in particular, and also by us who are forced to administer it.

Thank you very much.

[The prepared statement follows:]

STATEMENT OF CECIL J. BLACHE, ADMINISTRATOR, LOUISIANA OFFICE OF EMPLOYMENT SECURITY REPRESENTING INTERSTATE CONFERENCE OF EMPLOYMENT SECURITY AGENCIES, INC.

SUMMARY

The Interstate Conference of Employment Security Agencies, Inc. (ICESA) is the organization representing state administrators of unemployment compensation laws and public employment offices throughout the country.

FSC extension

ICESA supported the extension of FSC in March; however, our members have not yet had an opportunity to go on record concerning a further extension. We do recognize that high levels of unemployment persist in many states.

Extended benefits (EB)

The combined effect of changes made in the EB program in the past several years has been fewer and shorter extended benefit periods than might have been intended. Currently, EB is being paid in only three states although unemployment is perceived to be at high levels in many others.

ICESA's Unemployment Insurance Committee has recommended a comprehensive review of the program.

Alternative triggers

State total unemployment rates (TUR's) are less reliable statistically than insured unemployment rates (IUR's); but as a measure of economic distress, the TUR has the advantage of including those who have exhausted benefits and are still looking for work.

Substate area triggers would create serious inequities among unemployed workers, and provide an environment for potential abuse. Area unemployment rates are also very volatile due to seasonal unemployment patterns. We urge you to reject the concept of area triggers.

S. 1784

The concept of a sliding scale of increasing federal responsibility for financing and an increasing general revenue share of that federal responsibility is consistent with the philosophy of the current system and worth exploring.

As S. 1784 is now structured, it would increase benefit outlays from many state trust funds and the federal unemployment trust fund at a time when the system is struggling to regain solvency. In considering this proposal, the economic impact of

higher taxes and the potential disincentive effects of additional weeks of benefits must be balanced against the needs of unemployed workers.

S. 1784 includes the following two proposals that we have repeatedly urged be adopted for EB and FSC: 1) states are permitted some flexibility in setting work search requirements; and 2) the entitlement of those claiming benefits on an interstate basis would be determined by the number of weeks available in the state paying the claims.

Current FSC program

The current FSC program is so complicated that many of our own employees do not fully understand it. It is almost impossible to explain to FSC recipients. This is frustrating for us as administrators of the program as well as for the recipients. IDESA urges you to take a more streamline approach as you consider extending the program.

STATEMENT

Mr. Chairman and members of the Subcommittee, my name is C. J. Blache. I am Administrator of the Louisiana Office of Employment Security and, beginning next week, Chairman of the Unemployment Insurance Committee of the Interstate Conference of Employment Security Agencies, Inc. (ICESA). As you know, ICESA is the organization of administrators of unemployment compensation laws and public employment offices throughout the country. We appreciate this opportunity to present our comments regarding extension of the Federal Supplemental Compensation (FSC) program beyond the current expiration date of September 30, 1983.

The Federal Supplemental Compensation program took effect September 12, 1982, paying 6, 8 or 10 weeks of benefits depending on the insured unemployment rate in the state. As unemployment became worse, additional weeks were added to the program. Beginning January 9, the numbers of weeks available were 8, 10, 12, 14 or 16. The program was modified and extended in April 1983, making 8, 10, 12 or 14 weeks available to those who newly qualified for the program and an additional 6, 8 or 10 weeks available to those who had previously exhausted all benefits.

The question now before Congress is whether another extension of FSC is warranted and if so, what form it should take. While the national economy has improved considerably since FSC was last considered, unemployment remains high, at 9.5 percent nationally and even higher in many individual states. As observed in past recessions, unemployment is among the last economic indicators to show improvement during a period of recovery. We supported extension of FSC in March, however, ICESA's membership has not yet had the opportunity to go on record concerning a further extension. The Annual Meeting of our members will be held next week. Nevertheless, we cannot dispute the fact that high levels of unemployment persist in many states.

Extended benefits

It is impossible to discuss the FSC program without talking about the federal-state extended benefit (EB) program also. In the past two years the following three changes have been made in the EB triggers (i.e., the rates of insured unemployment that trigger payment of EB).

The national trigger was eliminated in July 1981.

Extended benefit claims were excluded from calculation of the trigger rate, also in July 1981.

Effective October 1982, the mandatory state trigger rate was increased from four percent, plus a 20 percent increase over the prior two years, to five percent (plus the 20 percent factor), and the optional trigger from five percent (regardless of the increase) to six percent.

All three of these changes have had the effect of limiting the payment of extended benefits. Two years ago, we supported elimination of the national trigger and believe that experience has shown that action to be sound policy. Even doing the last year, a few states did not experience the high levels of unemployment that plagued most of the country. We continue to support the payment of extended benefits on the basis of state-specific triggers.

The exclusion of EB claims from calculation of the trigger rates and the higher state trigger levels are separate issues but should be considered together because each has contributed to less frequent extended benefit periods. In addition, in the past several years state law changes have tended to reduce the number of workers eligible for benefits. The combined effect of these changes in the program has resulted in fewer and shorter extended benefit periods than might have been intended.

Currently, only three states are paying extended benefits though unemployment is perceived to be at high levels in many others.

Whether or not to include extended benefit claims in the calculation of the extended benefit trigger rates is a confusing issue. On one hand, including EB claims would create two definitions of high unemployment: the first definition, for triggering "on", would use only regular UI claims, disregarding the number that have exhausted benefits; the second definition, for triggering "off", would use both regular and extended benefit claims. On the other hand, excluding those claims appears to understate the level of insured unemployment in a state, making it less accurate as a measure of economic distress. The net result, of course, is that excluding EB claims from the trigger calculation has the effect of ending an extended benefit period in a state sooner than it would have if the EB claims were counted.

We have less than one year's experience with the higher state triggers, however, during this short time unemployment has been at record levels. Questions have been raised about whether extended benefits have been available at appropriate times. In many cases, the federal supplemental compensation program has filled the gap where a need for additional weeks of benefits was perceived but extended benefits were not available.

ICESA's Unemployment Insurance Committee has discussed the way that the EB program has functioned in the current recession and believes that a comprehensive review is needed. That examination should include the following:

Seasonal adjustment of the trigger rates. Do states trigger "on" or "off" due to seasonal factors? Would seasonal adjustment mean that EB is paid at the times it is most needed?

The time period for computing the trigger rate. Is the 13 week moving average too long or too short a period to use?

The 20 percent factor. After several years of high unemployment, a state has difficulty meeting this requirement. Conversely in some states with relatively lower unemployment, the rate may double but still be too low to trigger "on".

Financial responsibility. Should the federal government bear a larger share of cost of extended benefits when there is a high level of unemployment?

Alternative triggers

A number of the bills before the Subcommittee include proposals for alternatives to the insured unemployment rate, to trigger extended benefits/federal supplemental benefits. The two measures frequently offered are sub-state area triggers and the total unemployment rate.

The insured unemployment rate (IUR) reflects the number of people who are claiming unemployment benefits as a percent of the number of people who are employed and covered by unemployment insurance laws--about 97 percent of all workers.

The total unemployment rate (TUR) reflects the number of people who are looking for work—both those claiming UI and those that are not—as a percent of the labor force. State TUR data are collected by the Bureau of Labor Statistics by sampling households in the 10 largest states and by making statistical adjustments to a sample of UI claims in the remaining states.

The BLS also publishes local area unemployment rates that are derived from the same data that are collected for the state TUR's.

The IUR and TUR obviously define unemployment in different ways. Each has strengths and weaknesses as a measure of unemployment. The IUR is a more reliable number because it is an actual count of individuals. There are names and social security numbers for each one, the counts can be validated. The TUR is based on a sample of people and like any estimate derived from sampling, has some variability. The TUR, however, may provide more comparability among states since unemployment is defined in the same way for each state. The IUR is less comparable among states due to differences in state law regarding qualifying, eligibility and benefit duration. States with more stringent requirements will tend to have lower IUR's. Another factor that makes the TUR more comparable, and perhaps more indicative of economic distress, is that it includes those who have exhausted all unemployment benefits but have not yet returned to work. If one wishes to measure the need for EB/FSC by the opportunity for those exhausting regular benefits to find reemployment, the TUR might be a better gage than the IUR. When a state has had a long period of high unemployment fewer and fewer people qualify for benefits, lowering the IUR; but many of those exhausting don't go back to work, keeping the TUR high.

At first glance, substate triggers would appear to be an effective way of targeting benefits to the areas where they are most needed. However, area triggers (whether

IUR or TUR), create serious inequities among unemployed workers. People often live and work in different areas. Should people qualify for additional weeks of unemployment, based on where they live, or where they worked? There will be inequities whichever is chosen. There will be unemployed people who formerly worked side by side but live in different areas, one qualifies for additional benefits and one does not; or next door neighbors who worked different places and one qualifies and the other doesn't; or among people claiming benefits at the same local office, some qualify for additional weeks and others do not. This won't seem fair to those who are not eligible for the additional weeks of benefits. There is also the possibility for abuse, using a friend's address or a post office box in the high unemployment area in order to qualify for additional weeks of benefits. In addition to the equity issue there are practical problems in using sub-state unemployment data. The TUR data are available only on a monthly basis, several months after the month for which the data were collected. Because of the small sample size, there is also a wide range of variability. Sub-state IUR data are not currently developed. Development would require employers to report each worker's employment by area. Some way of dealing with people who work in several areas for the same employer would have to be developed also. Local IUR data would also be very volatile due to seasonal unemployment patterns. For reasons of both equity and practicality, we urge you to reject the concept of area triggers. We can ensure that benefits are paid only to those for whom no employment opportunities are available by strict monitoring of availability and work search efforts.

Comments regarding S. 1784

In addition to the issues discussed above, we would like to comment briefly on several of the concepts embodied in S. 1784. That bill would replace the current EB and FSC program with one comprehensive program paying a variable number of weeks based on the level of unemployment in the state. There would be a sliding scale of financial responsibility between the state and federal government—the higher the level of unemployment, the greater the federal share. There would be a similar sliding scale between Federal Unemployment Tax (FUTA) revenues and general revenues in paying for the federal share—the higher the level of unemployment the larger the general revenue contribution. There would apapear to be merit in exploring these concepts. The current EB program is either "on" for 13 weeks or not "on" at all. The current FSC program pays a variable number of weeks based on the unemployment rate, but the number available in a state and to an individual can change so often that the program is very nearly inexplicable. S. 1784 would limit these changes to four times a year, at the beginning of each quarter.

Conceptually, increasing federal responsibility for financing and increasing the general revenue share of that federal responsibility during periods of higher unemployment is consistent with the philosophy of the current system. Extended benefits are jointly financed by the state and federal governments and benefits beyond EB are financed from general revenues. It has long been our policy that benefits beyond EB should be financed from general revenues.

Although we have not seen specific cost estimates, it appears that the benefits that would be paid under S. 1784 would, at least in the short term, increase outlays from both state trust funds and the federal unemployment trust fund. The UI system is currently struggling to regian solvency. The addition of unanticipated financial liabilities would be detrimental. In the quest for solvency, however, we must not forget what the system is here to do. In considering this proposal, the economic impact of higher taxes and the potential disincentive effects of additional weeks of benefits must be balanced against the needs of unemployed workers.

I would also like to point out that S. 1784 includes several provisions that we have repeatedly urged be adopted for the EB and FSC programs. S. 1784 would permit some state flexibility in determining work search requirements. Under current law recipients of EB and FSC are required to make an "active and sustained search for work" each week for which benefits are claimed. This means that the individual must visit the place of business of several prospective employers each week and file an application or make an inquiry for work. In labor markets where jobs are available this is appropriate. However, these requirements are not appropriate in areas where no jobs exist. EB and FSC recipients must spend money to travel to companies each week when they know that the firm is not hiring and where they have filed applications previously. We encourage you to allow states more flexibility in determining what constitutes an appropriate work search for EB and FSC recipients, based on local labor market conditions.

Another provision of S. 1784 would determine the number of weeks available to individuals claiming benefits on an interstate basis by the number available in the

state where he is entitled to benefits. Current law requires that individuals claiming FSC on an interstate basis receive either the number of weeks available in the state where they live or where they are entitled to benefits, whichever is less. The four tier FSC program, with the possibility of movement either up or down by either the agent or liable state makes administration of current law extremely complicated and costly. We urge you to support this provision of S. 1784 that would greatly simplify administration of interstate benefits.

Current FSC program

The final point I would like to make concerns the complexity of the current FSC program. It is extremely complicated. The number of weeks available in a state depends on the insured unemployment rate and may change as often as every four weeks. Administration of interstate claims, just described, is a nightmare. FSC recipients are told that they are potentially eligible for a certain number of weeks when they qualify for the program only to be told later that the number of weeks available has been reduced. We must recalculate the entitlement of an individual several times and are not provided adequate resources for doing this. The formulas for determining how many weeks of benefits an individual is entitled to are so complicated that many of our own employees do not fully understand them. They are almost impossible to explain to FSC recipients. This is frustrating for us as administrators of the program as well as for the recipients. ICESA urges you to take a more streamlined approach as you consider extending the program.

Mr. Chairman, thank you for the opportunity to present our views concerning these issues. I will be happy to respond to any questions you might have.

Mr. PEASE [presiding]. Thank you very much for your testimony.

I do not have any questions. Does your colleague from Louisiana have any questions?

Mr. MOORE. I want to thank Cecil for coming again. He always brings us a very informative viewpoint. I appreciate your taking the time to be up here with us today.

Mr. PEASE. Our next witness will be Ernie W. Tullis, administrator of the Texas Employment Commission.

STATEMENT OF ERNIE W. TULLIS, ADMINISTRATOR, TEXAS EMPLOYMENT COMMISSION

Mr. TULLIS. Mr. Chairman, I presented a statement and would like it made a part of the record.

Mr. PEASE. Without objection.

Mr. TULLIS. I appreciate this opportunity of providing information on the matters you are considering today. In my prepared testimony, there were eight points covered, but I would like to stress three at this particular time.

While it is worthy that you are considering other assistance to unemployed workers today, I also feel you should review where the revenue is going to come from to be able to support the benefit levels you are considering to be provided.

During the 1974–75 recession, Federal supplemental benefits were enacted to where at times as many as 65 weeks were payable to unemployed workers. This altered the unemployment insurance system from a system of providing benefits during temporary spells of unemployment to a system more in line with the welfare-type program.

Reference is now being made to unemployment compensation rather than unemployment insurance. Again, while it is worthy to pay additional benefits during periods of high unemployment, it seems irresponsible to overburden payroll taxes to have to support the benefit levels requires and to have the added burden of paying

interest on loans to support a system which has proven to be underfinanced, both at the Federal and State level.

It would be my recommendation that all EB and FSC be paid by Federal general revenue. It is proper that a State pay up to 26 weeks of benefits to unemployed workers, but after that time, should they remain unemployed, it becomes a national problem, one which is caused by policy problems on importation, automation, or monetary policy, which cannot be solved at the local and State level.

It should be recognized that when a payroll tax gets too high, it becomes a deterrent for employers to add employees to its payroll.

You heard from several workers here that really wanted jobs, and a lot of employers would have additional workers, but that additional tax burden imposed upon them. Because Texas is in a borrowing situation now and the taxes that are going up in 1985 and 1986 will go up to 8 or 9 percent, and to some large employers, their taxes can increase in one particular case, it was $280,000 in 1982, and it is $590,000 this year and in 1985, it is going to $3.7 million for their payroll taxes, if they retain the same number of employees.

That becomes a pretty substantial burden, and they would have to reduce their amount of work force.

A recent publication by the CBO states in part, unemployment insurance is a joint Federal-State responsibility. It is a well-known fact when you control the administrative dollars, you control what is done.

One problem I would like to call your attention to in this area is that when the Congress enacted the FSC program, it provided that the administrative costs would be paid for from general revenue. I believe Congress assumed that the Department of Labor would pay the true administrative costs of permanent trained, based staff, which would be needed to implement this new program as well as the changes that have been made.

This was not done.

This has increased the State's administrative problems, even though our workloads have been high for a considerable time, the States are expected to carry out these workloads and implement new programs with as much as 50 percent of our staff being temporary workers.

In some States and some local offices, it greatly exceeds 50 percent. The worst example is one of my offices in northwest Houston which has four UI base staff positions and 22 temporaries. It takes trained, experienced staff to implement changes in programs and to implement new programs.

There should be a limit in the number of administrative positions that are funded on a temporary basis. For example, 20 percent contingency funding with the remainder funded as permanent positions, and some of the problems that the people—I don't think some of those people addressed some of the problems that we are encountering, because we are using so many temporaries and four base staff cannot supervise all that goes on.

Unemployment is a personal problem, and yet, when the economy is bad, it can become a problem for the locality, city, county, State and Nation. If extra benefits are to be provided, they should

be available to the workers who have the problem whether he lives along the Mexican border or in the center of a metropolitan city.

If extra benefits are afforded some groups because they happen to live in one area, we are not providing equal treatment to all citizens. Again, the Texas agency, Texas is opposed to any type of substate triggers, because that creates numerous problems for the agency and the employers, as well as the claimants, because many travel quite a distance sometimes to get to work, and if you determine the particular area, there might be some living outside that area that would not qualify.

We are opposed to substate triggers on extended benefits. We would doubt very seriously that we would ever get into that program.

And I thank you for the opportunity, and I will be happy to answer any questions.

[The prepared statement follows:]

STATEMENT OF ERNIE W. TULLIS, ADMINISTRATOR, TEXAS EMPLOYMENT COMMISSION

SUMMARY

1. Substate area triggers are probably the only way Texas citizens can receive Extended Benefits.

2. The committee should review the method of financing extra benefits.

3. Since there are no Federal standards on solvency and due to high benefit levels of prior recessions and the present one, 29 states have depleted their trust funds and have loans from the Federal government.

4. States could be made responsible for up to 26 weeks of benefits, with any above this amount to be paid for by the Federal government from general revenues.

5. Staffing of administrative positions for the payment of benefits should be changed to provide more base staff and less temporary positions.

6. The wage base should be indexed.

7. Revenue received from taxation of U.I. benefits should be used to reduce loans and assist claimants to return to work.

8. At a 5 percent insured unemployment rate for the nation, the nation is experiencing a problem, and all claimants who have exhausted regular benefits should be eligible for any extra benefits that would be made available, regardless of where they live, with costs being borne by Federal general revenues. For example:

IUR: 5.0 percent=10 extra weeks; 5.5 percent=15 total extra weeks; 6.0 percent=15 total extra weeks; 6.5 percent=25 total extra weeks; 7.0 percent=30 total extra weeks.

STATEMENT

Mr. Chairman, members of the committee, my name is Ernie W. Tullis. I am the Administrator for the Texas Employment Commission, which is the Employment Security Agency for the State of Texas. I appreciate the opportunity of providing information on unemployment compensation matters which you are considering today.

As most of you know, Texas is a large state with an area of 266,807 square miles and an estimated population of over 15 million persons. It is a diverse state, with great variations. It has sparsely settled areas, as well as metropolitan areas such as Houston, Fort Worth-Dallas, San Antonio and El Paso. By county, its unemployment rate may vary from practically nothing (Loving County) to as much as 33.2 percent (Maverick County). It has areas as large as most states whose unemployment rate (if the area was a state in itself) could qualify for various public assistance; however, since their numbers of unemployed are combined with areas of low unemployment, persons residing in these areas are not afforded the same benefits they would be provided if they lived in other states. An example of this is the border area with Mexico where the peso devaluation caused large numbers to become unemployed.

During the current recession, Texas' experience has been that, as of April 1981, we had a 4.3 percent unemployment rate with 298,500 as unemployed workers, and by February 1983, the rate had increased to 8.8 percent with 665,800 unemployed in

our State. In 1981, we compensated 2,549,752 weeks of unemployment, which more than doubled in 1982 with 5,209,019 weeks compensated. Just through July of 1983, we have compensated 4,616,656 weeks of unemployment. Our total disbursements have gone from $286,996,772 for Calendar Year 1981 to as much as $169,671,820 for only one month's payments in May of 1983. Our trust fund balance at the end of 1981 had over $242 Million, and now we are indebted by more than a half a billion dollars. For Calendar Year 1983, we expect that benefits paid out will reach at least a billion dollars. During this period, Texas has not triggered on Extended Benefits, even though much of our State continues to have depressed conditions. For example, the Beaumont-Port Arthur-Orange area has had an unemployment rate between September 1982 of not less than 12.1 percent and as much as 15.4 percent; Brownsville-Harlingen-Benito 14.8 to 17.7 percent; Galveston-Texas City 11.3 to 14.3 percent; Longview-Marshall 11.6 to 12.6 percent; McAllen-Pharr-Edinburg 17.9 to 21.1 percent; and Laredo 23.3 to 28.8 percent. As mentioned earlier, Texas is a big and diverse state which has unique problems with regard to its unemployment insurance program.

Several of the bills being considered today provide for substate area triggers for Extended Benefits. That, in my opinion, would be the only way Texas' unemployed workers could qualify for Extended Benefits that are being considered. Otherwise, Texas will continue as a state which provides its FUTA revenues to other states for the payment of EB without receiving any of it back for the payment of ED to its own unemployed workers. Even though this is the only way Texas will qualify for EB, we do not favor substate triggers for the payment of Extended Benefits.

While it is worthy that you are considering further assistance to unemployed workers today, I also feel that you should review where the revenue is going to come from to be able to support the benefit levels you are considering to provide.

Most of you know that during the 1974-1975 recession, Federal Supplemental Benefits were enacted to where, at times, as many as 65 weeks were payable to unemployed workers. This, in my opinion, altered the unemployment insurance system from a system of providing benefits during "temporary spells of unemployment" to a system more in line with welfare type programs. Financing to provide for these levels of benefits has been a problem both at the Federal and State level. The Federal FUTA tax has been insufficient to meet the liabilities imposed, as well as the fact that, during the current recession, 29 states have depleted their trust funds and have had to borrow funds from the Federal government. While it may be worthy to be able to pay benefits in line with the above, it seems irresponsible to overburden payroll taxes to have to support the benefit levels required and to have the added burden of paying interest on loans to support a system which has proven to be underfinanced, both at the Federal and State levels.

It would be my recommendation that all EB and FSC would be paid for by Federal general revenue. I think that it is proper that a state pay up to 26 weeks of benefits to its unemployed workers, but after that time, should they remain unemployed, it becomes, in my opinion, a national problem—one in which, to a large extent, is caused by policy problems of importation, automation, or monetary policy which are not the type problems which can be solved at the local or state level. In addition to this, our mechanism for currently paying for these extended benefits is the FUTA tax. I think it should be recognized that when this tax gets too high, it becomes a deterrent for employers to add an employee to the payroll, since they pick up the extra costs as workers are added. Perhaps it is time to recognize the fact that too large a burden can exist on a payroll tax and that some other means (such as Federal general revenue) should be used to fund the extensions of benefits being considered today.

Other points that I would like to make for your consideration are as follows.

A publication entitled "Unemployment Insurance Financial Condition and Options for Change," published by the Congressional Budget Office, states in part, "Unemployment Insurance is a joint Federal-State responsibility. The Federal government provides general guidelines and some restrictions on the operation of the state programs; it also funds benefits to certain unemployed workers and has financial responsibility for administration of the entire system."

Even though the Congressional Budget Office makes this statement, you should realize that "joint Federal-State responsibility" in practice means domination by the Federal partner. It is a well known fact that when you control the administrative dollars, you control what is done. By providing the administrative funds to operate the unemployment insurance program, the Department of Labor not only provides guidelines as stated, but controls the functions of staffing, the workloads it will pay for, and the quality levels states are able to attain within the budgeted levels provided by the Department of Labor.

One problem I would like to call to your attention is that when the Congress enacted the FSC program, it provided that the administrative cost would be paid for from general revenues, the same as these benefits. I believe the Congress assumed that the Department of Labor would pay the true administrative cost of permanent trained base staff which would be needed to implement this new program. This was not done. Instead, the administrative costs were provided to the states under its regular contingency funding from the Employment Security Administration Account which is FUTA revenues.

This has increased the states' administrative problems. Even though our workloads have been high for a considerable time, the states are expected to carry out these workloads and implement new programs with as much as 50 percent of our staff being temporary workers. In some states and some local offices, it greatly exceeds 50 percent. The worst example is one of my offices in Northwest Houston, which has 4 U.I. base positions and 22 temporaries. It takes trained, experienced staff to implement changes in programs and to implement new programs, from trained computer personnel to experienced claims examiners; yet, when changes and new programs are added, we have to hire temporary staff at low salary levels to perform the work required. More base staff should be provided to states, and the number of temporary workers should be reduced. There should be a limit on the number of administrative positions that are funded on a temporary basis; for example, 20 percent with the remainder funded as permanent positions.

As stated previously, 29 states have had to borrow funds from the Federal government in order to pay benefits. This practice adds to the Federal deficit, and it should be noted that there is no Federal solvency requirement that states maintain solvent trust funds. The basic cause for this type problem lies both at the State and Federal level. At the Federal level, because at times it has mandated that benefits be paid above regular benefits in state law, e.g. extended benefits, where certain costs have to be borne by the states' trust funds. They did not mandate the financing to pay for these costs. At the state level, due to the reluctance to raise state taxes on employers' payrolls during a time of an economic recession and because of the wish by some states that loans would be forgiven or that the Federal government will some day bail out states who have not kept their trust funds in good shape. What is needed, in my opinion, is a mandate that states should be required to have an actuarially sound trust fund that would pay for up to 26 weeks of benefits to its unemployed workers at a 4 percent insured unemployment rate.

Also, the Federal government should, from general revenues, pay for any weeks greater than 26 that would be required by Federal law.

Another point that should be made is that, in view of wage rate increases, the wage base should be indexed so as to have the financial resources to properly pay administrative costs from the Federal level and for states to have proper funding for financing their trust funds. Benefit levels are based on a worker's earnings; therefore, to have a fixed dollar amount as a wage base and not index a changing condition leads to a deterioration in the ability to properly finance the system. We agree with the Congressional Budget Office recommendation that the wage base should be indexed and with this recommendation as made by the National Study Commission on Unemployment Insurance. Congress has thus far failed to act on this recommendation.

Another recommendation made by the Congressional Budget Office has to do with taxes received by the U.S. Treasury from the taxation of unemployment benefits. Their report states, in part, "U.I. benefits paid to moderate and high-income recipients have been subject to the Federal income tax since 1979. Returning to the Trust Fund that portion of the Federal tax paid on U.I. benefits—as was recently enacted for Social Security—would bolster U.I. revenues, especially during times of economic downturn when benefit payments are large. This revenue could then be returned to State U.I. Programs, where most of it originated as benefits. The Treasury Department estimates that this change would increase U.I. revenues by $1.7 billion in Fiscal Year 1984." I believe that the revenues received by taxation of U.I. benefits should be used to offset loans by states and, if they have no loans, the money should be used in programs to help U.I. claimants return to suitable work.

Unemployment is a personal problem and, when the economy is bad, can become a problem for the locality, city, county, state and nation. If extra benefits (those greater than regular benefits in state law) are to be provided, they should be available to the worker who has the problem, whether he lives along the Mexican border or in the center of a metropolitan city. If extra benefits are afforded some group of individuals simply because they happen to live in Podunk, USA, and are not available to others similarly situated in other parts of the nation, we are not providing equal treatment for all citizens. In Texas, we have areas of high unemployment, as

well as areas of low unemployment. Under present law, if we were to trigger on extended benefits, those who had exhausted regular benefits would become eligible for extra benefits regardless if they lived in a high or a low unemployment area. The fact that the state as a whole was experiencing the problem would cause these extra benefits to be paid. The nation is no different. When the insured rate of unemployment in the nation reaches 5 percent, the nation has a problem. If extra benefits are to be paid, they should be available to all who meet the criteria and be derived from Federal general revenues.

For example, when the nation's insured rate equals 5 percent, then 10 extra weeks of benefits could be made available to those who have exhausted their claims with 5 other weeks being added as the nation's U.I. rate increases, e.g.: 5.0 percent = 10 total extra weeks; 5.5 percent = 5 + 10 = 15 total; 6.0 percent = 5 + 15 = 20 total; 6.5 percent = 5 + 20 = 25 total; 7.0 percent = 5 + 25 = 30 total.

In conclusion, in my opinion, none of the bills being currently considered today address Texas' unique problems.

Thank you very much. If you have questions, I will be glad to respond.

Mr. PEASE. Thank you very much. We are happy to have your recommendations based on your extensive experience in Texas. Where I come from in Ohio, supposedly, Texas has no unemployment.

Mr. TULLIS. We make up about 16 States in geographical area, and in some areas, we have in excess of 10-percent unemployment. The fact of the matter is in one county, it is 33 percent. Along the Rio Grande border, it is running 25 percent because of the peso devaluation.

Up in northeast Texas—well, we do have substantial amounts of unemployment in certain areas. We have a diversified economy in our State which makes up some of the slack, but people cannot move and relocate the distances, and their jobs were no longer in demand, and we have a substantial problem with unemployment in our State, even though overall, we are very fortunate.

Mr. PEASE. Thank you again, sir. We appreciate your testimony.

Next, we have a panel consisting of Donald R. Cochran, president, Corry Area Unemployed Council; Paul Lodico and Raymond Ganczak from the Mon Valley Unemployed Committee, McKeesport, Pa.; Evelyne Mills, financial secretary, Cleveland Council of Unemployed Workers, and Carole Anderson, corresponding secretary, Erie County Unemployment Council, and Dave Rhea, president-coordinator, Ashtabula County Action for Jobs.

Would you please identify yourselves, starting from your right. Your name and affiliation, please.

Ms. ANDERSON. Carole Anderson, Erie County Unemployment Council.

Mr. RHEA. David Rhea, president-coordinator, Ashtabula County Action for Jobs.

Ms. MILLS. Evelyne Mills, Cleveland Council of Unemployed Workers.

Mr. GANCZAK. Raymond Ganczak, Mon Valley Unemployed Committee.

Mr. COCHRAN. Donald Cochran, Corry Area Unemployed Council, Corry, Pa.

Mr. PEASE. Spell your last name.

Mr. GANCZAK. G-a-n-c-z-a-k.

Mr. PEASE. First name is Raymond?

Mr. GANCZAK. Yes.

Mr. PEASE. OK, we will go in the order listed on our agenda.

Mr. Cochran.

STATEMENT OF DONALD R. COCHRAN, PRESIDENT, CORRY AREA UNEMPLOYED COUNCIL, INC., CORRY, PA.

Mr. COCHRAN. Thank you, Mr. Chairman.

Mr. Chairman, members of the committee, our delegation, being comprised of members of the Corry Area Unemployed Council, Inc., located in the county of Erie, the city of Corry, Pa., respectfully request the right to state the desperate situation of our unemployed citizens.

Effective September 30, 1983, our own Government has decided to stop all FSC unemployment benefits, with no real thought as to the gravity of the situation.

Our council, founded in March 1983, has desperately worked hard to alleviate some of the local problems of the unemployed. We have contacted all local businesses and agencies for monetary assistance to aid persons with utility shutoffs; house and/or rent payments to insure a roof over their heads; provide food for the table; acquire adequate medical and dental care for families and try to get any type of work for our unemployed people.

We have a job referral system where people need day workers, and we supply them.

We had almost full employment in our community for around 15 years, and we also had an employment office. With 3,000 people unemployed, the State closed down our employment office. Now we either have to ride to Warren, which is 30-some miles away or to Erie, which is also 30-some miles away.

In order to get job listings, civil service exams or anything that pertains to a regular job office, we merely have a place where you go to sign up twice a week, on Mondays and Tuesdays, for your benefits.

As it stands now, those same agencies and businesses who have helped us in the past have almost exhausted their resources due to the high unemployment rate in the Corry area.

Now that hundreds of persons have—or will—exhaust their unemployment compensation benefits, those same agencies will be pushed to the limit and unable to help anyone.

With a population of 7,100, Corry's unemployment rate is still over 13 percent, which means that those still of working age, many, many people will be losing everything they worked hard to get. Through no fault of our own, we have lost our jobs, with no hope of returning in the immediate future. Our jobs are gone and now our Government is taking away our hope for survival.

In a country as great as ours, our own Government has turned a deaf ear to our problems. We are in desperate need and you must realize how critical the situation is. The Government statistics show that the unemployment rate has gone down. It is our understanding that one of the ways these statistics are compiled is a phone survey.

One of the very first things I lost after being laid off was my phone. Many of our council members have also lost their phones. I don't know how you arrive at these statistics. I have heard part of it is through phone surveys or through people still signing up. If it

is through phone surveys, your calculations are way off. I have many members who no longer have a personal phone. I couldn't afford to keep it, I can't eat it, and I don't need it, so I told Ma Bell I don't need it.

I would suggest to this committee to seek out exactly how these unemployment figures are truly being arrived at. Those figures are only showing the persons who are receiving benefits, and there has been no significant rise in employment.

You asked one of the people here earlier if drawing unemployment would keep you from looking for a job. In our town, there was a rumor, just a rumor, that Raymond's was hiring five people. When they opened the personnel office that morning, there was a line three city blocks long trying to apply for these jobs.

I don't think that any average American worker, and I know myself personally, it is very humiliating to go stand in a line for an hour, 2 hours, sign my name, and I would rather—when there was floods in Louisiana, the Government is paying me $190 a week, why don't they give me a shovel and transportation and I will go and build dikes?

I don't want something for nothing.

Earlier, you had a gentleman from the chamber of commerce, and the unemployed council, they work very closely together.

Before we had access to a copying machine, the chamber ran off all our copies of all our literature for free. Our office space was donated by the Red Cross when we first started.

We have a food pantry where we can help people get groceries.

The following is a quote from the September 1983 issue of Reader's Digest magazine, page 89, from the article, "Detroit Faces the Rising Sun." I quote, "America is the only major industrial country in the world that is virtually open to Japanese cars. Britain limits its imports from Japan to 11 percent of its home market, France to 2.5 percent, Italy to just 2,200 vehicles.

"The Japanese shipped 1,760,000 cars here last year; precisely 3,562 American cars were sold in Japan," end of quote. I would like to know how many jobs the manufacturer of these 1,760,000 cars could provide us?

In closing, it was a barbaric act of murder to lose 269 persons over Russian air space, through no fault of their own. It is just as barbaric for the U.S. Government to turn its back on all of the unemployed people who are to be economically murdered very soon. We need benefits. We need help. We urge this committee to help us.

Thank you very much, and I would answer any questions that I possibly could.

Mr. PEASE. Thank you, Mr. Cochran. We appreciate your testimony.

I think we will go through the testimony of all of the witnesses before we entertain questions. Since we do have four more people on the panel, if each of you could summarize your speeches as much as possible, that would be helpful.

Mr. Ganczak.

STATEMENT OF RAYMOND GANCZAK, MEMBER, MON-VALLEY UNEMPLOYED COMMITTEE

Mr. GANCZAK. I am here to give more of a personal testimony on things that have happened to me, and I have a statement which I shall read.

I am 50 years of age, married and have one child out of six left at home. I worked at Jones & Laughlin Steel Co. [South Side Works] in Pittsburgh and at the time of my layoff in March 1982 had 19 years' service. I was an overhead crane operator.

I am here because as a veteran of the Korean war years, I am appalled and very angry at having to fight my own Government. I want a job or I want help, and so far my Government has callously turned away from all of my efforts to help myself.

This is my situation: I got laid off in March 1982 and at first, thought I would be back to work in a short time. But as the months dragged on, the economic situation got worse, and I had to face the fact that I would have no work any time soon.

At first, with my unemployment and a small savings account, I was able to maintain my bills and living expenses. My savings account was soon depleted, and I had been unable to find work, although I had been putting in applications in three States.

I began to have to juggle my bills, paying one bill this week and another the next. My original mortgage was $310 a month, and unemployment checks just don't stretch far enough to pay bills and still have enough to keep food on the table.

No matter how hard I tried, my mortgage did get behind. When the bank started calling, I tried to get them to reduce the payments, but to no avail. Since it was a VA mortgage, they soon sent me a letter. I called them to try to work out a payment plan, but they refused to work with me as an individual.

When they threatened me with foreclosure, I looked everywhere for help and found none. Luckily, I saw a TV spot about the Mon Valley Unemployed Committee, and then got a leaflet from them offering help with the problems I had. They got a VA rep to meet me at the committee office.

The VA and MVUC got the bank to reduce my mortgage payments, but only because a group of 2,000 caring people stood behind me.

To even meet the lowered payments, I had to let my other commitments go. Soon I was being harassed by bill collectors. Because of my work with the MVUC, helping them to help others in trouble like me, I was able to keep from falling apart as so many unemployed are doing.

I still work with the MVUC to help others maintain their sanity. No one who doesn't go through this can know what misery, depression and tension a person undergoes.

When my unanimous consent and extended benefits, along with my Federal benefits had run out, I had no recourse but to go begging to my Government for welfare. Many of the thousands of unemployed are out of all benefits and are trying to get on welfare, but because of Pennsylvania's welfare system cannot get help.

Luckily, I got on but will be soon back in the position of losing my home and any semblance of living a decent life on the pittance

I receive. The $335 I receive from welfare each month will not even cover my reduced mortgage payments of $200 a month, and utilities, let alone any other bills.

Most of my creditors have already taken me to court. When others call, I tell them to call my legal aid lawyer who represents me. He helps keep them off my back.

If I do not get a job, which, as we all know, don't exist, I must look toward getting some form of unemployment benefits. These benefits must be extended, more weeks given, or many thousands will have nothing and turn to the only recourse left to them, crime.

How can our Government spend billions for arms and defense and let their own people live in fear and poverty? Without jobs or UC, they will have turn to crime as a last resort.

It doesn't take thousands of nuclear weapons to destroy any country when a few do the same. Using some of this money for jobs or extended UC benefits could get thousands of unemployed back on the road to decent living standards.

Thank you.

Mr. PEASE. Mr. Ganczak, we thank you for your testimony. I found that very moving and effective testimony.

Ms. Evelyne Mills from the Cleveland Council of Unemployed Workers. I want to explain to you and the other panel members, those bells and lights mean that we have a vote in progress which will be followed by another vote, so in about 5 minutes or so, we will have to take a 10-minute recess.

In case I have to interrupt you, now you will know why. You may proceed.

STATEMENT OF EVELYNE MILLS, FINANCIAL SECRETARY, CLEVELAND COUNCIL OF UNEMPLOYED WORKERS

Ms. MILLS. Mr. Chairman, members of the committee, and distinguished guests, the burden of the reckless, publicly unaccountable, greedy decisions by the corporate interests must not be shoved on the shoulders of America's unemployed working people.

The burden caused by plant closings, technology, long work weeks, and investments by so-called American companies in low-wage foreign countries must not be shoved on the shoulders of America's unemployed working people.

The Cleveland Council of Unemployed Workers is here today to say to this committee and to the Government of the United States of America that the unemployed of Cuyahoga County cannot find jobs, cannot support our families, cannot pay taxes, cannot buy cars, homes or clothes, cannot contribute our vast potential of skills and energy to our community.

What are you going to do about this human, economic, moral and community disaster?

According to the Bureau of National Affairs, more than 1.2 million American workers lost their jobs as the result of nearly 2,700 plant shutdowns last year alone. Ohio, Michigan, and Indiana encompassed the most severely affected region.

Warner & Swasey Co., where I worked for nearly 10 years, reduced its factory help by 550 out of over 800 workers and cut office help from 900 to approximately 125.

Warner & Swasey was purchased by the huge multinational corporations of Bendix and Allied, and moved their machining divisions to their plant in Japan. These jobs are lost forever in the job market.

Over half of the people affected in the particular place were over 40 years old, and many were members of minority groups and women. When people have been on a job 10, 15, 20, to 40 years, it is not easy to find a job elsewhere.

Most of the people who worked with me were skilled machinists, technicians, inspectors, electronic and mechanical assemblers, capable of using blueprints and possessing many expensive tools.

To be "retrained," as one of our people was, to go to work at a restaurant for minimum wages is causing panic and despair. There are very few jobs available now, and many of these do not pay enough for a subsistence level of living.

The stories go on and on. Our people are losing their homes. We have no medical coverage. Gas and lights are luxuries we cannot afford. Food stamps do not last the month. We are not even the "new poor" any more. We have entered the despair and frustration of the old poor.

People who were taxpayers, steady workers and believers in the American dream for years now watch helplessly as, one by one, we succumb to a life of abject poverty and hopelessness.

We are losing our homes, cars, decent education for our children, health care, our hopes of a decent pension. We are losing our spouses, self-esteem, our sanity. A person who for years has always met all financial obligations is demoralized when utilities are shut off because they are no longer affordable.

We have come here today from Cleveland to represent thousands of jobless workers in Cuyahoga County. This is a stack of 15,000 signatures as collected in 2 weeks at the unemployment offices in May.

May 1983 was the point when Ohio lost the 13-week extended benefit program because of the outrageous, morally and logically insupportable "trigger mechanism," which does not even reflect the actual rate of unemployment in the State or country.

The 15,000 signatures are on petitions calling for: One, an extension of unemployment benefits until people find jobs. Two, a revision of the "trigger" mechanism to provide extended benefits. Three, development of a public works program to provide jobs at living wages for all unemployed workers.

The need to provide additional weeks of benefits and to revise the trigger mechanism to restore the extended benefit program and the lost FSC benefits is crucial. Approximately 200,000 Ohioans exhausted their benefits this summer.

In Ohio, almost 40 percent of the counted unemployed have been laid off over 26 weeks. That proportion has increased from 24 percent last year. In addition, 64 percent of Ohio's jobless workers are not receiving benefits.

Last year, only 40 percent of the unemployed were not receiving benefits. In most industrialized, Western countries, unemployment benefits are more generous, often extending from paycheck to paycheck, and covering first-time jobseekers.

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We believe the current 9.5-percent national unemployment rate represents a crisis situation for the 15 million people it directly affects. At 20 percent, black unemployment is twice as high as white unemployment. Black youth unemployment went up to an unbearable 56 percent level, nationally. This is not recovery in any sense of the word.

Whether we cite statistics or real life stories, the fact is that the unemployed workers are being driven down into poverty. We are shouldering the burden of the depression. We are being ground into the dirt because Warner & Swasey milked the profits from our plant, because United States Steel makes more money owning Marathon Oil than producing steel, because GM Fisher Body can get away with paying workers $2 per day in their plants in Chile, South America.

We are facing utility shutoffs and higher infant mortality because Ohio Crankshaft——

Mr. PEASE. Pardon me for interrupting. So we can go over and vote, we will recess for 10 minutes and when we return, we will hear the remainder of the testimony of Ms. Mills, and then we will hear the other two witnesses on this panel, and then our final panel.

[Recess.]

Chairman FORD. The committee will come to order.

Ms. Mills, Cleveland Council of Unemployed Workers, we would like to apologize on behalf of the committee. Because of the two votes that were on the House floor, we had to interrupt and break for a few minutes to go vote.

At this time the committee will recognize you, Ms. Mills.

Ms. MILLS. Whether we cite statistics or real life stories, the fact is that the unemployed workers are being driven down into poverty. We are shouldering the burden of the depression.

We are being ground into the dirt because Warner & Swasey milked the profits from our plant, because United States Steel makes more money owning Marathon Oil than producing steel, because GM Fisher Body can get away with paying workers $2 per day in their plants in Chile, South America.

We are facing utility shutoffs and higher infant mortality because Ohio Crankshaft, National Acme, Westinghouse, Fazio warehouses, Crucible Steel, Eaton Axle, Towmotor, Addressograph-Multigraph, and dozens of other plants have shut down in our area and precious few new jobs have opened up.

Whole communities are adversely affected by the loss of income. In areas where unemployment is high, creditors and the business community feel the pinch, local tax bases are lost, education loses. Drugs, alcoholism, and mental problems increase.

What are we supposed to do? What are you going to do?

We want jobs, decent jobs at decent wages, because we are diligent working people.

If you cannot provide jobs, then we want an extension of benefits until jobs become available.

We had nothing to do with the decisions to close our plants or lay us off. Either we should have some control over those decisions or we should be protected against the devastating results of those decisions.

In addition, those corporate interests that abandon the workers for low-wage area investments should be made to shoulder the burden for the ghost towns, misery, and incredible poverty they have caused in our communities. Workers should not suffer so drastically for the loss of a job due to no fault of their own.

Congress has not yet approved help for the unemployed—no medical coverage, no moratorium on home foreclosures, no significant jobs program.

We have seen the wealthy corporations well represented by Congress—the tax ripoffs, the previous gas deregulation legislation, the Caribbean policy.

We have not seen our concerns addressed. We certainly hope they will be in this committee.

The Cleveland Council of Unemployed Workers appreciates the opportunity to present our views to this subcommittee. Thank you for your attention.

Chairman FORD. Thank you very much, Ms. Mills.

At this time, the Chair will recognize Ms. Anderson, who is with the Erie County Unemployment Council, and Mr. David Rhea, president-coordinator, will follow Ms. Anderson.

STATEMENT OF CAROLE ANDERSON, MEMBER, EXECUTIVE BOARD, ERIE COUNTY UNEMPLOYMENT COUNCIL

Ms. ANDERSON. Thank you, Mr. Chairman.

First of all, I would like to say we are not in Ohio, we are in Pennsylvania, if that could be corrected.

I have already turned in my copies of my testimony that I would like to have put into the record, and I will give an outline of it.

[The prepared statement follows:]

STATEMENT OF CAROLE ANDERSON, EXECUTIVE BOARD MEMBER, ERIE COUNTY UNEMPLOYED COUNCIL

May I introduce myself. My name is Carole Anderson, and I am a native of Erie, Pennsylvania. I joined the work force at General Electric Company in Erie in February 1956, starting as a Secretary and worked my way up that famous ladder to Professional status in 1974. Those last seven years, my normal work week consisted of 50 to 60 hours per week—whether I got paid for over forty or not. When you're a female on a Professional level, competing with males on equal jobs, all eyes are on you. You have to work twice as hard, be twice as productive . . . and heaven help you if you goof up. Everyone is watching you very carefully—and waiting! I took every class that was offered by GE that I could get into—including their Manufacturing Studies Program (2 years, 500 classroom hours). A copy of my Company resume, attached to my written testimony, relates to my vast experience in many fields. I have always been big in Computer Systems, Analysis, and Programming . . . which will probably be my saving grace, I hope. As a productive employee, I saved the General Electric Company money . . . to the tune of 192 percent of my salary over those seven years. And, it wasn't by cutting other peoples' pay.

At the time of my notice of layoff due to lack of work, I was given the option (after the 60-day notice period) to leave and immediately go on Unemployment Compensation Benefits, or I could work one week for each year of service. I elected to work the 26-week retention period only because the job market was not very sunny at that time . . . and I might need those extra weeks on UC Benefits until the job market recouped.

In February 1983 when I went on maximum Unemployment Compensation benefits, my take-home income decreased 45 percent; recently, I took another additional 5 percent cut due to the Pennsylvania Unemployment Compensation Reform Law . . . but my financial obligations did not reduce! They stayed the same. The new hot water tank I had to buy last week certainly was not in my budget. This layoff affects not only my present day living, but my Pension Fund and Social Security for

my retirement years. What do you do when you are too young to retire . . . and too old to get a job? I have worked since I was 16 years old . . . and this is the first time in my life I have been without a job!

For well over ten years, I worked two jobs in order to get the things in life I wanted. No one "gave" me anything—everything I have I went out and worked for. I did without many things (like parties, etc.) so I could have what I wanted. One winter, I remember so well, Mom was laid off and having trouble finding work, and we managed on my secretarial salary. That winter I had only four dresses to wear—and every woman in this room can relate to how it feels to wear the same four dresses week after week after week the whole long winter. I swore then that I'd never be broke again . . . even if it meant working 20 hours a day. But what do you do when you cannot even get ONE job—when there are no jobs?

My parents divorced when I was quite young and since I am an only child, I am fully responsible for my "senior citizen" mother. Twelve years ago, we pooled our resources and bought the home we live in today . . . yet. We were very fortunate that we were able to assume the previous owner's mortgage at 5½ percent interest. Today we only owe about $5,000. We've made improvements to our home as we had the resources for them . . . and, now the great fear hangs over us "Will we lose our home? . . . and everything else we both worked so hard to get? Where would we go? What would we do?

My hopes of getting back in at General Electric in Erie are just about nil. When I was first employed there the employment rate was about 12,000—now it is down to 7,500. And, they recently announced another 1,000 layoffs pending . . . and rumor has it closer to 2,000.

When I registered to vote shortly after turning 21, I registered "No Party". You can bet your last dollar that has been changed in the past month. To all of the Unemployed across the Country, I say "Register—Register—Register!" That is the only united way we have to show our strength.

I have been involved with the Erie County Unemployed Council since the initial organizational meeting in February 1983 . . . eight days after I walked out of the General Electric for the last time . . . just four days short of 27 years service.

I am not here today to speak only for myself, but for ALL the Unemployed across this vast nation who are suffering.

I have been active in our Unemployed Council not so much for what I could get out of it, but for what I might be able to do to help others Unemployed. As I talked with people at this organizational meeting, my heart bled for so many of these people who constantly try so hard to put up a brave front for the rest of the world . . . and there has not been a day or week since then that has passed without repetitious heartbreaking tales from these Unemployed passing daily through our offices. These are not the so-called "chronic" deadwood, that are too lazy to work. These are human beings from all "walks of life" . . . all ages . . . all job trades (and a good many of them highly skilled). They come from an assortment of backgrounds and educations. They are ALL Human Beings . . We are all Human Beings . . . NOT just another statistic on the records or in the media. We are not inanimate—we have real feelings just as you ladies and gentlemen do . . . we have our hopes and dreams of rising out of this "unnatural, unwanted" state of affairs called "Unemployment". But right now . . . when the days are almost as dark as the nights for many of us unemployed, hopes and dreams are the only rationale that stabilizes us and keeps us from going off the deep end into the mental wards.

We do not hear the United States Government saying to the Unemployed, "Since you are within inches of losing your home, here is the money you need to keep what you have worked all your life to buy, and you can repay us when you go back to work." But the Government is sending billions of dollars all over the world. They take better care of the "adopted" children than they do us . . . and we are their own "flesh and blood".

Members of our Erie Unemployed Council sat outside the Erie Employment Office all last week to raise the money to pay for the van rentals and gasoline for fifty of us to come to Washington and meet with you, to ask . . . to plead with you to not only restore our Unemployment Compensation Benefits but to add an additional 14 weeks of benefits for all unemployed. It meant enough to our Council members—to be very real . . . it takes lot of "guts"—to ask fellow Unemployed for donations. It should show you how real and drastic the Unemployment problem is in Erie County. These people gave us whatever they had . . . a nickel, a dime, a quarter, and yes—even pennies. Once in awhile we found a big spender and got a dollar bill. When a man empties out the last few coins in his pocket for you and says this is all I have and I just finished signing for my last check . . . What does all this tell you? We gave our fellow Unemployed an opportunity to "stand up and be

counted" . . . and ladies and gentlemen, there may only be 50 here physically from a 50-mile radius of Erie, but the hearts and prayers of another 1200 are here with us too.

My personal story is just ONE of 20 million. 20 Million unemployed people in America! 20 Million families living constantly in fear of the future . . . the future that previously was realizing dreams and goals, but have now turned into "Nightmares". Now, the only concern is "Will I find a job today—or at least before everything falls in on us?" 20 Million desperate families watching everything they worked for so hard all their lives . . . be taken from them. Winter is coming—how will they pay heating costs with no money coming in? Erie County represents approximately 200,000 people—with about 100 Agencies to handle free food . . . with hundreds waiting in line for this free food. The Food Banks are cutting their "food bags" tremendously . . . for they are running out of money to get the food. How do you maintain the "happy" family atmosphere when you know there is no money for the milk and proteins you and your Children need to be strong and healthy . . . what physical secondary effects will these children encounter in their later years from today's unwanted circumstances? How do you feed your family? How do you clothe them? What if there are major medical needs . . . Oh my God, what do I do then? How will all of you survive? If you allow it, the fright can eat you up. So you try to put it aside and not think about it . . . but it's like a ghost, it follows you everywhere!

People come into our office daily—people on Zero-Income. These are the people that have been taken off Welfare when the Welfare was retracted. Where do they go? What do they do? They live with friends until those friends can no longer support them; then they find other friends to "sponge" from when they run out of friends—there is no recourse left but the "streets". If you thought you lost your self-respect and dignity by standing in line for your Unemployment check, how do you think you feel when you hit the "streets"?

In the past, it was a real Social stigma against you to go on Welfare—you were too lazy to work . . . right? My, My how pride has to be swallowed when you have NO income expectations, and you open that door for the first time at the Welfare Office . . . and you have to walk through that door!

Some maintain: Job Re-training is the answer to Unemployment . . . Is it? It's a great idea . . . but great ideas do not always work. We are beginning to find people that have completed their Job Training, and they ask us "How can I use my new skill if I can NOT get a job working at it. I'll loose what I've learned if I don't get a chance to apply it? What am I supposed to do?" They have expressed their willingness to work by undergoing new Job Training, and now they cannot apply their learnings. We need an income . . . 20 Million Americans need an income. We would much rather be working today at our individual jobs than be here in this Hearing room asking you to extend the Unemployment Compensation Benefits and add an additional 14 weeks for all Unemployed . . . so that we can live with a small degree of dignity for a little longer . . . just a little longer!!

This past June, a National Unemployed Conference of Unemployed Councils was held in Erie. The Unemployed represenatatives came from California, Washington State, D.C., Virginia, Ohio, Iowa, Michigan, Ohio, New York, Massachusetts, Connecticut, etc. They came however they could . . . mostly by beat-up cars that barely made it and back. But the need to unite was so strong, they got here . . . to be heard . . . to attempt to tell the Government "Hey, don't let us be the 'forgotten' people of this country."

Since about 1978 the United States Government has been creating a "Lost Generation"—persons whose Benefits have run out, cannot find employment because there is no Employment. These people are employable—they have skills . . . but they cannot find work. They have lost their homes; many have lost their families and friends. Yet these people are not a part of any County, State or National Statistic on Unemployment . . . because they are off all Benefits. A good many of these people cannot even be found for a census. Do you know you cannot even get a check-cashing identification card if you are unemployed?

The National Government got their Unemployed statistics by telephoning 64,000 people and ask if they were unemployed, and if they are now working! How do they contact those Unemployed who have lost their phones because they couldn't pay for them? How do they get into these Employment Statistics? How or who selects which 64,000 will be polled next?

20 Million unemployed in this country . . . 20 Million desparate people across this great nation of ours . . . while our country supports every country in the world by sending billions each year to support them—their "adopted" children. When will our great nation help our own 20 Million children in their time of need?

As a Black stated in a Task Force Committee Meeting several months ago, "We blacks are used to being poor . . . It's you Middle-Class Whites that don't know how to handle it."

We must have FSC renewed . . . and at least an additional 14 weeks of Benefits for all unemployed! If you really believe in the much talked about "recovery" then certainly you can help us until this "recovery" catches up with us. Most of all, we need jobs . . . jobs . . . jobs!

Erie County Unemployed Council
245 East Eighth
Erie, Pennsylvania 16503
456-2872
453-5392

September 13, 1983

SUBCOMMITTEE ON PUBLIC ASSISTANCE
AND UNEMPLOYMENT COMPENSATION
COMMITTEE ON WAYS AND MEANS

To Whom It Concerns;

Enclosed are the written testimonials taken from Erie area Unemployed during the past two weeks. These will clearly define the problems of families living on reduced incomes and is a fair representation of the hundreds of documented cases handled by the Hotline operation of the Erie County Unemployed Council.

Your serious study of these situations is requested.

Sincerely,

Patti Trost

Patti Trost,
Hotline Supervisor

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Charles Gee PHONE 455-1565

ADDRESS 2304 French St. CITY Erie STATE P.A. ZIP 16503

AGE 54 RACE black

1. Type of Work Experience: welder,auto mechanic,video equipment operator

2. Last Employer: General Electric

3. Length of Employment 5 yrs. 4. Length of UNemployment 2 yrs.

5. Number of Dependants: 4

6. Source of Income? unemployment
If BENEFITS, how many weeks left? 0

7. Do you OWN or RENT your residence 1 Rent X Own
Are you planning to move -- or facing eviction X No ___ Yes

8. Have you any problems with Utilities? ___ No X Yes
What? gas too high

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No X Yes

10. Are you (or your dependants) in need of Medical Care? ___ No X Yes

11. Do you have unpaid bills -- if so, what kind? gas,electric,medical bills

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes house

13. What problems do you have that relate to unemployment? stress

14. What are you Future Plans?
Don't know, living day to day

15. What would YOU like to TELL THE GOVERNMENT?
How would you like to live on unemployment? Use our tax money more wisely.Less money on the space program and more money for the unemployed.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Thomas Dickson PHONE 455-7280

ADDRESS 1038 east lake Rd. CITY Erie STATE P.A. ZIP 16507

AGE 28 RACE caucasian

1. Type of Work Experience:
welder

2. Last Employer: Hydro-Air, Fort Worth, Texas

3. Length of Employment 4 years 4. Length of UNemployment 1 year

5. Number of Dependants: x

6. Source of Income? U.I.A.
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction x No ___ Yes

8. Have you any problems with Utilities? x No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No x Yes

10. Are you (or your dependants) in need of Medical Care? x No ___ Yes

11. Do you have unpaid bills? - if so, what kind?

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No x Yes car

13. What problems do you have that relate to unemployment? stress,
not enough money for basic necessities or transportation

14. What are you Future Plans?
to find a job

15. What would YOU like to TELL THE GOVERNMENT?
You waste too much money. The GOVT program is not
constructive. We want jobs, not food-outs. Take care
of America first, then foreign aid.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Abigail Maldonado PHONE 455-5872

ADDRESS 716 east 11th CITY Erie STATE P.A. ZIP 16503

AGE 28 RACE Hispanic

1. Type of Work Experience:
Machine operator

2. Last Employer: Smith Meter Co.

3. Length of Employment 10 yrs. 4. Length of UNemployment 2 mos.

5. Number of Dependants: 4

6. Source of Income? unemployment
If BENEFITS, how many weeks left? 20

7. Do you OWN or RENT your residence ___ Rent _x_ Own
Are you planning to move -- or facing eviction _x_ No ___ Yes

8. Have you any problems with Utilities? ___ No _x_ Yes
What? gas is too high in winter

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? _x_ No ___ Yes

10. Are you (or your dependants) in need of Medical Care? ___ No _x_ Yes

11. Do you have unpaid bills -- if so, what kind? gas,electric,water

12. Have you lost (or are you about to lose) anything due to unemployment?
_x_ No ___ Yes

13. What problems do you have that relate to unemployment?
not enough money for basic necessities

14. What are you Future Plans?
to find another job

15. What would YOU like to TELL THE GOVERNMENT?
The government should pay medical bills for the unemployed.We need more jobs and job training.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Allen Moore PHONE 899-1522

ADDRESS 2010 Station Rd. CITY Erie STATE P.A. ZIP 16510

AGE 27 RACE caucasian

1. Type of Work Experience:
machine operator
2. Last Employer: Erie Press Systems
3. Length of Employment 7 years 4. Length of UNemployment 6 mos.
5. Number of Dependants: 3
6. Source of Income? unemployment
If BENEFITS, how many weeks left? 11
7. Do you OWN or RENT your residence ___ Rent x Own
Are you planning to move -- or facing eviction x No ___ Yes
8. Have you any problems with Utilities? x No ___ Yes
What?
9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? x No ___ Yes
10. Are you (or your dependants) in need of Medical Care? x No ___ Yes
11. Do you have unpaid bills TO- if so, what kind? ___
12. Have you lost (or are you about to lose) anything due to unemployment?
___ No x Yes car
13. What problems do you have that relate to unemployment?
stress, no social life
14. What are you Future Plans?
looking for work
15. What would YOU like to TELL THE GOVERNMENT?
Take a close look at the situation. People want jobs.
What are you doing to create jobs? Less foreign
aid and more aid to the unemployed.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Mark Alexa PHONE 454-1757

ADDRESS 1041 west 8th CITY Erie STATE P.A. ZIP 16502

AGE 25 RACE caucasian

1. Type of Work Experience: foundry worker, General laborer

2. Last Employer: General Electric

3. Length of Employment 4 yrs. 4. Length of UNemployment 11 years

5. Number of Dependants: 1

6. Source of Income? unemployment
If BENEFITS, how many weeks left? 2

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction x No ___ Yes

8. Have you any problems with Utilities? ___ No x Yes
What? gas too high

9. Have you received food from the Emergency Food Centers, or the Soup Kitchen? ___No x Yes

10. Are you (or your dependants) in need of Medical Care? ___ No x Yes

11. Do you have unpaid bills -- if so, what kind? car payment, gas electric rent, medical bills

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No x Yes appliances

13. What problems do you have that relate to unemployment? stress, family problems

14. What are you Future Plans?
trying to find a job

15. What would YOU like to TELL THE GOVERNMENT?
We need jobs. Less foreign aid. Use the money to create more jobs.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Michael Piccirillo PHONE 899-4524

ADDRESS 2709 Downing Ave CITY Erie STATE P.A. ZIP 16510

AGE 42 RACE caucasian

1. Type of Work Experience:
machinist, truck driver

2. Last Employer: Erie Press Systems

3. Length of Employment 16 yrs. 4. Length of UNemployment 7 mos.

5. Number of Dependants: 2

6. Source of Income? unemployment
If BENEFITS, how many weeks left? 23

7. Do you OWN or RENT your residence ___ Rent X Own
Are you planning to move -- or facing eviction X No ___ Yes

8. Have you any problems with Utilities? ___ No X Yes
What? too high

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? X No ___ Yes

10. Are you (or your dependants) in need of Medical Care? ___ No X Yes

11. Do you have unpaid bills -- if so, what kind? water bill, medical bills

12. Have you lost (or are you about to lose) anything due to unemployment?
X No ___ Yes

13. What problems do you have that relate to unemployment? stress, bad health

14. What are you Future Plans?
find a job, if possible

15. What would YOU like to TELL THE GOVERNMENT?
Benefits have to be extended. Why can't lottery money
be diverted? No more foreign aid until we take care of our own.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Floyd Moore PHONE 899-2336

ADDRESS 307 Sky Dr. Woodhaven CITY Erie STATE P.A. ZIP 16510

AGE 42 RACE caucasian

1. Type of Work Experience:
truck driver, policeman

2. Last Employer: Hardinger Transfer

3. Length of Employment 5 mos. 4. Length of UNemployment 1 year

5. Number of Dependants: 1

6. Source of Income? D.P.A.
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence ___ Rent X Own
Are you planning to move -- or facing eviction ___ No X Yes

8. Have you any problems with Utilities? ___ No X Yes
What? gas is off

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___ No X Yes

10. Are you (or your dependants) in need of Medical Care? ___ No X Yes

11. Do you have unpaid bills -- if so, what kind? gas, electric, rent, medical bills

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes truck

13. What problems do you have that relate to unemployment? stress, depression

14. What are you Future Plans?
get a small business loan

15. What would YOU like to TELL THE GOVERNMENT?
Back the people at home. No more money to communist
dominated countries. Use it to promote more jobs.
We want to work.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME W.J. Tangle PHONE

ADDRESS 431 Peach CITY Erie STATE P.A. ZIP 16507

AGE 54 RACE black

1. Type of Work Experience:
food handler, hotel worker, stock work, general labor

2. Last Employer: Hilton Hotel

3. Length of Employment 1 yr. 4. Length of UNemployment 1 yr

5. Number of Dependants: 1

6. Source of Income? D.P.A.
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence X Rent ___ Own
Are you planning to move -- or facing eviction X No ___ Yes

8. Have you any problems with Utilities? X No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No X Yes

10. Are you (or your dependants) in need of Medical Care? ___ No X Yes

11. Do you have unpaid bills? if so, what kind?

12. Have you lost (or are you about to lose) anything due to unemployment?
X No ___ Yes

13. What problems do you have that relate to unemployment?
lack of money for basic necessities

14. What are you Future Plans?
Don't know. I can't find employment because of age

15. What would YOU like to TELL THE GOVERNMENT?
People would rather work than get welfare. We need jobs.
We need more help for people ages 40-54. We can't get jobs
because of age discrimination even though we can't prove it.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Artee Wright PHONE

ADDRESS 630 west 4th CITY Erie STATE P.A. ZIP 16507

AGE 26 RACE black

1. Type of Work Experience:
food handler,beauty consultant,nurses aide

2. Last Employer: Burger King

3. Length of Employment 1 year 4. Length of UNemployment 18 mos.

5. Number of Dependants: 6

6. Source of Income? A.D.C.
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction ___ No x Yes

8. Have you any problems with Utilities? ___ No x Yes
What? gas is too high

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No x Yes

10. Are you (or your dependants) in need of Medical Care? ___ No x Yes

11. Do you have unpaid bills -- if so, what kind? gas,electric,student loan

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No x Yes car

13. What problems do you have that relate to unemployment? unpaid bills,stress
not enough income for day to day living

14. What are you Future Plans?
getting a job

15. What would YOU like to TELL THE GOVERNMENT?
Come and live on my level for 1 month a nd worry about
cockroaches getting in your ears and mouth at night
a nd rats biting your children,cloths for children,
eviction,and food

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME James Williams PHONE

ADDRESS 231 west 4th CITY Erie STATE P.A. ZIP16502

AGE 30 RACE black

1. Type of Work Experience:
mechanic, general laborer

2. Last Employer: Sears, Roebuck, and Co.

3. Length of Employment 5 years 4. Length of UNemployment 2 yrs.

5. Number of Dependants: 7

6. Source of Income? A.D.C.
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction x No ___ Yes

8. Have you any problems with Utilities? x No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No x Yes

10. Are you (or your dependants) in need of Medical Care? x No ___ Yes

11. Do you have unpaid bills ? if so, what kind?

12. Have you lost (or are you about to lose) anything due to unemployment?
x No ___ Yes

13. What problems do you have that relate to unemployment?
no money for social life

14. What are you Future Plans?
Hard to say. I live day to day

15. What would YOU like to TELL THE GOVERNMENT?
Be more fair to the poor. We need jobs, not hand-outs.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Shirley Work PHONE 891-2605

ADDRESS 4147 McClelland Ave CITY Erie STATE P.A. ZIP 16510

AGE 40 RACE Caucasian

1. Type of Work Experience:
core maker (foundry)

2. Last Employer: General Electric

3. Length of Employment 9 yrs. 4. Length of UNemployment 1 year

5. Number of Dependants: 2

6. Source of Income? D.P.A.
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction ___ No x Yes

8. Have you any problems with Utilities? ___ No x Yes
What? heating is too high

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No x Yes

10. Are you (or your dependants) in need of Medical Care? ___ No x Yes

11. Do you have unpaid bills -- if so, what kind? electric, medical

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No x Yes self-respect

13. What problems do you have that relate to unemployment? not enough to live
on, medical problems, stress, family problems, husband drinks too much

14. What are you Future Plans?
May leave Erie. Without G.E. it will be a ghost town

15. What would YOU like to TELL THE GOVERNMENT?
Wake up and realize that the unemployment figures are not
accurate. We are middle-aged and skilled. We have worked all our
lives for nothing. There is no future.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Jim Ludwig PHONE 796-6766

ADDRESS 1025 Central Av. Thorp CITY Clark Waterford STATE P.A. ZIP 16411

AGE 25 RACE caucasian

1. Type of Work Experience:
quality control manager

2. Last Employer: Ethan Allen (Cherry Hill Div.) Union City, P.A.

3. Length of Employment 5 yrs. 4. Length of UNemployment 1 yr.

5. Number of Dependants: 2

6. Source of Income? unemployment
If BENEFITS, how many weeks left? 26 (new claim)

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction x No ___ Yes

8. Have you any problems with Utilities? x No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? x No ___ Yes

10. Are you (or your dependants) in need of Medical Care? x No ___ Yes

11. Do you have unpaid bills -- if so, what kind? ---

12. Have you lost (or are you about to lose) anything due to unemployment?
x No ___ Yes

13. What problems do you have that relate to unemployment? stress

14. What are you Future Plans?
reemployment

15. What would YOU like to TELL THE GOVERNMENT?
U.C. benefits are necessary for the average worker. These people make the world go around. Put more money into industry to create jobs. No government regulations for free enterprise.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME James R. Yeagbies PHONE _____

ADDRESS 721 east 7th CITY Erie STATE P.A. ZIP 16501

AGE 44 RACE caucasian

1. Type of Work Experience: general labor

2. Last Employer: Furniture Lane

3. Length of Employment 1 yr. 4. Length of UNemployment 2 yrs.

5. Number of Dependants: 2

6. Source of Income? no income
If BENEFITS, how many weeks left? _____

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction ___ No x Yes

8. Have you any problems with Utilities? ___ No x Yes
What? can't pay

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No X Yes

10. Are you (or your dependants) in need of Medical Care? ___ No x Yes

11. Do you have unpaid bills -- if so, what kind? ~~gas,Electric~~

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes home

13. What problems do you have that relate to unemployment? no benefits
cut off welfare because of age

14. What are you Future Plans?
unknown

15. What would YOU like to TELL THE GOVERNMENT?
a whole lot of things that I cannot express or paper

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Robert W. Farr PHONE 814-796-2965

ADDRESS P.O. # 18 CITY Mill Village STATE P.A. ZIP 16427

AGE 30 yrs RACE caucasian

1. Type of Work Experience:
construction, maintainence, welder

2. Last Employer: Various contractors

3. Length of Employment 10 yrs. 4. Length of UNemployment 2 mos.

5. Number of Dependants: 4

6. Source of Income? Unemployment
If BENEFITS, how many weeks left? 2

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction ___x No ___ Yes

8. Have you any problems with Utilities? x No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? x No ___ Yes

10. Are you (or your dependants) in need of Medical Care? x No ___ Yes

11. Do you have unpaid bills -- if so, what kind? [illegible]

12. Have you lost (or are you about to lose) anything due to unemployment?
x No ___ Yes

13. What problems do you have that relate to unemployment?
soon will lose health insurance

14. What are you Future Plans?
not sure can not make any

15. What would YOU like to TELL THE GOVERNMENT?
Spend less on defense and more on social programs

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Paul Sherrles PHONE 454-5180

ADDRESS 1016 Cranberry CITY Erie STATE P.A. ZIP 16502

AGE 71 RACE caucasion

1. Type of Work Experience: 1st class machinist,tool and Die,ran all types of machines;lathes,mills,grinders,inspection,assembly
2. Last Employer: Ford Mfg. Erie,P.A.
3. Length of Employment 2 yrs. 4. Length of UNemployment 1 yr. 7 mo.
5. Number of Dependants: 4
6. Source of Income? unemployment
   If BENEFITS, how many weeks left? 7 EUC.
7. Do you OWN or RENT your residence X Rent ___ Own
   Are you planning to move -- or facing eviction X No ___ Yes
8. Have you any problems with Utilities? ___ No X Yes
   What?
9. Have you received food from the Emergency Food Centers, or the Soup Kitchen? ___No X Yes
10. Are you (or your dependants) in need of Medical Care? ___ No X Yes
11. Do you have unpaid bills -- if so, what kind? gas,electric,telephone
12. Have you lost (or are you about to lose) anything due to unemployment?
    ___ No X Yes car-cannot afford to repair
13. What problems do you have that relate to unemployment? stress
14. What are you Future Plans?
    hope to find a good,decent paying job
15. What would YOU like to TELL THE GOVERNMENT?
    To get off their butts and start doing something for the poor and middle class people instead of the rich.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Vernon Baldwin PHONE 474-5203

ADDRESS 7254 Rupert CITY Fairview STATE P.A. ZIP 16415

AGE 34 RACE caucasian

1. Type of Work Experience: furnace operator (foundry)

2. Last Employer: ~~Lucyrus Erie~~ Erie P.A.

3. Length of Employment 10 yrs 4. Length of UNemployment 1 yr. 6 mos.

5. Number of Dependants: 4

6. Source of Income? A D C
If BENEFITS, how many weeks left?

7. Do you OWN or RENT your residence ___ Rent X Own
Are you planning to move -- or facing eviction X No ___ Yes

8. Have you any problems with Utilities? ___ No X Yes
What? heating bills

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No X Yes

10. Are you (or your dependants) in need of Medical Care? X No ___ Yes

11. Do you have unpaid bills -- if so, what kind? utility bills, car payment

12. Have you lost (or are you about to lose) anything due to unemployment?
X No ___ Yes

13. What problems do you have that relate to unemployment? stress

14. What are you Future Plans?
would like a job with PenDot

15. What would YOU like to TELL THE GOVERNMENT?
provide more jobs and get people off assistance.
No more money to El Salvador. Use it for unemployed
Americans. Big businesses should not have to keep a few
and hire more workers.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Jenny Smith PHONE _____

ADDRESS 624 Wallace CITY Erie STATE P.A. ZIP 16503

AGE 28 RACE Caucasian

1. Type of Work Experience: Industrial labor, wire fitter, radial drill

2. Last Employer: Kaiser Aluminum

3. Length of Employment 2 yrs. 4. Length of UNemployment 4 yrs.

5. Number of Dependants: 1

6. Source of Income? Children
If BENEFITS, how many weeks left? _____

7. Do you OWN or RENT your residence X Rent ___ Own
Are you planning to move -- or facing eviction ___ No X Yes

8. Have you any problems with Utilities? ___ No X Yes
What? no income to pay them

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? X No ___ Yes

10. Are you (or your dependants) in need of Medical Care? ___ No X Yes

11. Do you have unpaid bills -- if so, what kind? rent, electric

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes car, stereo

13. What problems do you have that relate to unemployment? _____
Vietnam Vet-job discrimination

14. What are you Future Plans?
Don't know. In limbo.

15. What would YOU like to TELL THE GOVERNMENT?
The government should quit spending so much money on space and
nuclear weapons and use it to take care of the poor.
They should reputate welfare in U.S.A. Do more for Vietnam
veterans. We need jobs.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Milton Murray PHONE _____

ADDRESS 240 west 8th CITY Erie STATE P.A. ZIP 16502

AGE 26 RACE caucasian

1. Type of Work Experience:
machine operator, gardener, finance and ins., cab driver

2. Last Employer: Manpower

3. Length of Employment 1 year 4. Length of UNemployment 1 year

5. Number of Dependants: 1

6. Source of Income? D.P.A.
If BENEFITS, how many weeks left? _____

7. Do you OWN or RENT your residence X Rent ___ Own
Are you planning to move -- or facing eviction X No ___ Yes

8. Have you any problems with Utilities? X No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? X No ___ Yes

10. Are you (or your dependants) in need of Medical Care? X No ___ Yes

11. Do you have unpaid bills? if so, what kind? _____

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes phone, motorcycle, self-esteem,

13. What problems do you have that relate to unemployment? _____
lack of social life; stress

14. What are you Future Plans? full time employment, insurance coverage
more luxuries

15. What would YOU like to TELL THE GOVERNMENT?
more pressure or large purchases to create more
employment

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Curtis M. Clark PHONE None ---------

ADDRESS 245 E. 8th. St. CITY Erie STATE Pa. ZIP 16503

AGE 32 Yrs. RACE Cauc.

1. Type of Work Experience: General Maintenance, Electronics Tech., Basic Electrician, Carpentry, Machineist, Torch Burner (Demolition), Basic Plumbing.

2. Last Employer: Penn Iron And Metal, 1515 East Ave. Erie, Pa.

3. Length of Employment 1 Yr. 4. Length of UNemployment 1 Yr. 10 Mos.

5. Number of Dependants: -- 0 --

6. Source of Income? NONE
If BENEFITS, how many weeks left? 000

7. Do you OWN or RENT your residence X Rent ___ Own
Are you planning to move -- or facing eviction ___ No X Yes Have allready been evicted.

8. Have you any problems with Utilities? X No ___ Yes
What? N/A

9. Have you received food from the Emergency Food Centers, or the Soup Kitchen? ___No X Yes

10. Are you (or your dependants) in need of Medical Care? X No ___ Yes

11. Do you have unpaid bills -- if so, what kind? Yes -- Rent

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes

13. What problems do you have that relate to unemployment? Yes -- Uncertenty of what what will happen in the near or distant future, Nervousness, Sleeplessness, and Worrying about how to pay for basic nessities.

14. What are you Future Plans? Completley unknown!

15. What would YOU like to TELL THE GOVERNMENT? That I think the people elected to keep this country funtioning should get off their duffs and start doing what they are paid BIG Bucks to do --- OR we will vote them out of office --- PRONTO.....

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Patricia Trost PHONE (814) 835-2885

ADDRESS 2830 Briggs Ave. #5 CITY Erie STATE PA ZIP 16504

AGE 27 RACE White

1. Type of Work Experience: Seamstress of men's clothing and have worked the past 3 years building printed circuit boards for computors.

2. Last Employer: Industrial System Services

3. Length of Employment 2½ years 4. Length of UNemployment 1 year and 2 months

5. Number of Dependants: one

6. Source of Income? Unemployment benefits
If BENEFITS, how many weeks left? 18 weeks left on second year of UC

7. Do you OWN or RENT your residence X Rent ___ Own
Are you planning to move -- or facing eviction ___ No X Yes
Planning on moving because the rent is to high.

8. Have you any problems with Utilities? ___ No X Yes
What? Electric bill is $130.00 my gas is included in the rent.

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No XX Yes

10. Are you (or your dependants) in need of Medical Care? ___ No X Yes

11. Do you have unpaid bills -- if so, what kind? Loan that was taken out when I was working a hospital bill that I had to go to the hospital and did not have any medical coverage because my benefits had run out and I could not afford to pay for the insurance myself ----

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No X Yes

13. What problems do you have that relate to unemployment? Family stress that it causes. I'm tired of robbing Peter to pay Paul. I want to work and can not find any work and this gets on one's nerves.

14. What are you Future Plans? Possibly to get retrained and /or go back to school. If I have to relocate to get a job a will do this because the situation here in this town is very bad and will not pick up in the near furtuher and could possibly become a ghost town.

15. What would YOU like to TELL THE GOVERNMENT?
I would like to tell the Government of this country that they should be working for the people in this country and not for themselves. I think that we should keep the jobs that are created in this country in this country and not send them overseas, that includes all the government jobs. I personally do not buy anything that is not made in this country. If things were done in a way that would help the American people out and help them and not hinder them I would be alot happier with the system that our forfathers set up in the beginning. I think we have to get back to the basic needs of the American people. We can not let Americans go hungry or homeless-------

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Ann Tomczak PHONE 455-6820

ADDRESS 2011 Sassafras St. CITY Erie STATE P.A. ZIP 16502

AGE 22 RACE caucasian

1. Type of Work Experience: vending machine attendant, order clerk, barmaid
2. Last Employer: ~~Interstate United (Servomation)~~
3. Length of Employment 5 yrs. 4. Length of UNemployment 8 mos.
5. Number of Dependants: 2
6. Source of Income? Unemployment
   If BENEFITS, how many weeks left? 16
7. Do you OWN or RENT your residence ___ Rent X Own
   Are you planning to move -- or facing eviction X No ___ Yes
8. Have you any problems with Utilities? ___ No X Yes
   What? heating bills
9. Have you received food from the Emergency Food Centers, or the Soup Kitchen? ___No X Yes
10. Are you (or your dependants) in need of Medical Care? ___ No X Yes
11. Do you have unpaid bills -- if so, what kind? doctor bills
12. Have you lost (or are you about to lose) anything due to unemployment?
    X No ___ Yes
13. What problems do you have that relate to unemployment? none
14. What are you Future Plans?
    Stay on unemployment for awhile.
15. What would YOU like to TELL THE GOVERNMENT?
    I do not appreciate the extended benefit cut off.
    The State Employment office is not doing an adequate job. I believe the workers hold jobs back for their friends.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Elinor Hicks PHONE 452-5702

ADDRESS 711 west Third St. CITY Erie STATE P.A. ZIP 16507

AGE 46 RACE Caucasian

1. Type of Work Experience: Nurses Aide;Machine Operator;Order Clerk; Bar Maid;Cab Driver; Sales
2. Last Employer: Erie Metro Taxi
3. Length of Employment 4 years 4. Length of UNemployment 2yrs 7 mos.
5. Number of Dependants: 2
6. Source of Income? A.D.C.
   If BENEFITS, how many weeks left?
7. Do you OWN or RENT your residence x Rent ___ Own
   Are you planning to move -- or facing eviction ___ No x Yes
8. Have you any problems with Utilities? ___ No x Yes
   What? income does not cover gas bills
9. Have you received food from the Emergency Food Centers, or the Soup Kitchen? ___ No x Yes
10. Are you (or your dependants) in need of Medical Care? ___ No x Yes
11. Do you have unpaid bills -- if so, what kind? utilities
12. Have you lost (or are you about to lose) anything due to unemployment? car,Home Entertainment Center,Dog
    ___ No x Yes
13. What problems do you have that relate to unemployment? stress, sleeplessness,constant worry about food,shelter, clothing. Cannot afford new glasses or clothes
14. What are you Future Plans?
    Hopefully,to find an office job o some kind
15. What would YOU like to TELL THE GOVERNMENT
    Stop sending money to foreign countries.Use it for more jobs,job training programs,rent subsidy programs,medical care for the needy, and food programs.Use the food the government has stored to feed our people.

8/83

TESTIMONIALS FOR THE
CONGRESSIONAL HEARINGS

NAME Jeanne Daugherty PHONE 456-2725

ADDRESS 928 west 23rd. St. CITY Erie STATE P.A. ZIP 16502

AGE 32 RACE caucasian

1. Type of Work Experience:
machinist

2. Last Employer: General Electric

3. Length of Employment 2yrs. 4. Length of UNemployment 1 yr.

5. Number of Dependants: 1

6. Source of Income? unemployment
If BENEFITS, how many weeks left? 0

7. Do you OWN or RENT your residence x Rent ___ Own
Are you planning to move -- or facing eviction x No ___ Yes

8. Have you any problems with Utilities? x No ___ Yes
What?

9. Have you received food from the Emergency Food Centers,
or the Soup Kitchen? ___No x Yes

10. Are you (or your dependants) in need of Medical Care? x No ___ Yes

11. Do you have unpaid bills ?? if so, what kind? ___

12. Have you lost (or are you about to lose) anything due to unemployment?
___ No x Yes dignity

13. What problems do you have that relate to unemployment?
stress, defeatist attitude

14. What are you Future Plans?
find a job

15. What would YOU like to TELL THE GOVERNMENT?
The MX missile will not create jobs. Wake up and do your
job for the people.

8/83

Ms. ANDERSON. Also with me, I brought a number of testimonies that people from our council and other unemployed in the area have made out and it has already been issued. I have brought with me a folder of testimonies that the people from the area have filled out and it already has been entered in the office.

My name is Carole Anderson and I am a native of Erie, Pa. I have worked with General Electric in Erie for the past 27 years, starting as a secretary and working my way up that famous ladder to professional status in 1974. During those 7 years, my formal work week consisted of 50 to 60 hours per week, whether I got paid for 40 or 50 or 60.

When you are a female on a professional level competing with males on equal jobs, all eyes are on you and you have to work twice as hard and be twice as productive, and heaven help you if you goof up. Everyone is watching you very carefully and waiting.

I took every class that was offered by General Electric that I could get into, including their manufacturing studies course, which is a 2-year and 500-classroom-hour course. In my written testimony, I have attached a copy of my resume which relates to my vast experience in many fields. I have always been big in computer science, analysis and programing, and that probably will be my saving grace; at least I hope it will be.

As a productive employee, I saved the GE Co. money to the tune of 192 percent of my salary over those 7 years.

In February of 1983, I went on to unemployment compensation benefits and my take-home pay was decreased by 45 percent. Recently, I took another 5-percent decrease due to the Pennsylvania unemployment compensation reform law, but my financial benefits did not decrease. They stayed the same. And I certainly did not plan on buying that new hot water tank last week.

This layoff affects not only my present-day living, but it also affects my pension fund and my social security for my retirement years. What do you do when you are too young to retire and too old to get a job? I have worked since I was 16 and this is the first time I have been without a job.

I am fully responsible for my senior citizen mother. Twelve years ago, we pooled our resources and bought the home we live in today. We have made improvements to our home as we have had the resources to do it, and now that great fear hangs over both of us.

What will we do if we lose our home and everything we have both worked hard to get? She has worked all of her life, too, until she retired. Where would we go and what would we do? We have no other family.

My hopes about getting back into GE are just about nil. When I was first employed there, the employment rate was about 12,000. Now it is down to 7,500 2 weeks ago and they have recently announced another thousand layoffs are pending and the rumor has it close to 2,500.

I have been involved with the Erie County Unemployed Council since the organizational meeting of February this past year. It was 8 days after I walked out of the General Electric Co. for the last time and just 4 days short of 27 years' service. But I am not here today to speak only for myself, but for all the unemployed across this vast Nation who are suffering.

I have been active in our unemployed council not for what I could get out of it, but for what it might be able to do to help the other unemployed. My heart bleeds for so many of these people who constantly try so hard to put up a brave front to the rest of the world, and there is not a day that passes without repetitious heartbreaking tales from the unemployed passing through our offices.

These people are not the chronic, always unemployed dead wood. These are human beings from all walks of life, all ages, all job trades and a good many of them are highly skilled. They come from an assortment of backgrounds and education. They are all human beings. We are all human beings, not just another statistic on the records or in the media. We are not inanimate. We have real feelings, just as you gentlemen do. We have our hopes and dreams of rising out of this unnatural, unwanted state of affairs called unemployment.

Right now, when the days are almost as dark as the nights for many of us unemployed, hopes and dreams are the only rationale that stabilize us and keep us from going off the deep end and into mental wards.

Members of our Erie County Unemployed Council sat outside of the employment office in Erie all last week to raise money to pay for the rental and the gas of the vans to come down here to the District of Columbia and meet with you to ask and plead with you not only to restore IUR benefits, but to add an additional 14 weeks for all unemployed. It meant enough to our council members, and believe me, it takes a lot of sincerity and a lot of guts to ask unemployed to donate something but it shows you how real and drastic the unemployment problem is in Erie County.

These people gave whatever they had, a nickle, a dime, a quarter. They even gave pennies and once in a while we got a big spender who gave a dollar. But when a man gives you all the coins in his pocket and tells you that he has just signed up for his last check, that should tell you something about the circumstances.

We gave our fellow unemployed an opportunity to stand up and be listened to and there may be only 50 of us here physically from a 50-mile radius of Erie, but the hearts and prayers of another 1,200 are with us today.

My personal story is just one in 20 million. There are 20 million unemployed people in America, 20 million families living in fear of the future, the future that was previously realizing their dreams and goals but now they have turned into nightmares.

Now the only concern is, will I find a job today or at least before I lose everything? There are 20 million desperate families watching everything they worked so hard for all their lives being taken from them.

Winter is coming. How will they pay the heating costs with no money coming in?

Two hundred thousand people in Erie County with about 100 agencies to handle the free food, with hundreds waiting in line. The food banks are running out of food because they are running out of money to buy the food, and it shows in the skimpy bags that they are starting to give out.

How do you maintain a happy family atmosphere when you know there is no money for milk or bread or protein that I and your children need? What secondary physical effects will your children show in their later years from this unwanted circumstance? How do you feed your family and how do you clothe them and what if there are medical needs, major medical needs? My God, what do you do then? How do you survive?

If you allow it, fright can eat you up. So you put it aside and you try not to think about it but it is like a ghost that follows you around.

In the past, it was a real social stigma against you if you went on welfare. But your pride has to be swallowed when you have no income and expectations and you open that door for the first time of the welfare office and then you have to walk through it.

We need an income, 20 million Americans need an income. We would much rather be working today than to be sitting here in this room testifying at this hearing, but we have no choice.

We have come to ask you to extend the benefits and to add more for all the unemployed so that we can live with a litte more dignity for a little longer, just a little longer.

In June 1983, a national conference of unemployed was held in Erie. The unemployed representatives came from California, Washington State, Washington, D.C., Virginia, Iowa, Ohio, Michigan, New York, Massachusetts, Pontiac, Connecticut, all over. They came however they could, but mostly in beatup cars that barely made it there and back, but they came because the need to unite was so strong. They got there and they wanted to be heard.

They wanted to tell the Government, "Hey, don't let us be the forgotten people of this country."

In the past couple of years, the Government has been creating a lost generation. People whose benefits have run out, they cannot find employment because there is no employment.

These people are employable. They have skills but they cannot find work. They have lost their homes. Many have lost their families and friends, yet these people are not a part of any census. A good many of them in Erie County cannot be located for the census. A good many of them are just not anywhere.

Do you know you can't even get a check cashed and an ID card if you are unemployed? It is a minor thing but it still hurts your dignity.

Twenty million unemployed in this country. Twenty million desperate people across this great Nation, and our country supports in the meantime just about every other country in the world by sending billions of dollars every year to their adopted children. When will our great Nation help their own 20 million children in their time of need?

At a task force committee meeting several months ago, a black stated, "We blacks are used to being poor. It is just you middle class whites who don't know how to handle it."

We must have the benefits renewed and at least another additional 14 weeks for all unemployed. If you really believe in that much-talked-about recovery, then certainly you can help us until this recovery catches up with us. Most of all, we need jobs, jobs, jobs.

27-752 O - 84 - 13

Thank you.

Chairman FORD. Mr. Rhea.

STATEMENT OF DAVID F. RHEA, PRESIDENT-COORDINATOR, ASHTABULA COUNTY ACTION FOR JOBS

Mr. RHEA. I live in Ashtabula, Ohio. Ashtabula is located on Lake Erie between Erie, Pa., and Cleveland, Ohio. In Ashtabula County, the unemployment rate went from 13 percent in 1981 to 18.5 percent in 1982.

The Ohio Bureau of Employment Services [OBES] reports nine more plants have shut down in the last year with a loss of 839 more jobs. The same report shows three more plants who might close, and that is 1,000 more jobs. Unemployment is a trend that is still going on in Ashtabula County, Ohio, and the Great Lakes States. There are no new jobs or new plants coming into Ashtabula County, not now, and not in the foreseeable future.

I have been layed off twice in the last 2 years. The plant I worked in for 17 years in Ashtabula is an open field now. They tore it down, sold what they could and scrapped the rest.

I was transferred to Niagara Falls, N.Y., in February 1982, but I was layed off again in November 1982. There isn't much hope of getting called back and in 7 months I will lose my recall rights.

Now I go around to the existing plants asking if I can fill out an application. More and more I am seeing signs on the front doors: "No applications handed out." Now a successful day of job hunting is when some plant lets me fill out an application.

Since this country first started, the American Dream has been to own a home. Homeowners across the United States are losing that dream through foreclosures. Ohio leads the Nation in foreclosures—a dubious distinction at best.

We need a job, but that is not going to happen very fast. What we want is what we earned: our employment benefits. I worked for my benefits. I earned my benefits. I deserve to get my benefits.

I am a lot better off than most unemployed. My wife has a job, so far. She has been doing a hell of a job keeping the house and home together; nurses have never made that much money.

I have three children. Kathy, the oldest, has been 3 years trying to find a job ever since she graduated from high school. Wendy and David will graduate next year. I wonder what they will be able to do. We need my unemployment benefits just to stay even.

On August 27, 1983, I participated in the March on Washington. The march was to raise the consciousness of our leaders to the problems that we have.

One man marching next to me asked: "Why is this necessary in this country with its wealth?" It seems that our leaders have lost sight of what compassion and humanity are all about.

We are here today to tell you we have a problem. Our plants have deserted us. Our president has deserted us. Please, don't you desert us, too.

Chairman FORD. Thank you very much. Mr. Pease.

Mr. PEASE. Mr. Chairman, I don't have any questions. I would like simply to thank each member of the panel for testimony that I think has been outstanding.

It is too easy for people who are professionals, who have never been unemployed to come before this committee and say how it is physicially responsible not to continue EB or not to continue FSC or to say that it is not technically feasible to change this or change that.

I think the subcommittee badly needs to hear from people who are either personally suffering from the ravages of unemployment or who are working with those who do.

Each one of you has given eloquent testimony this afternoon. I for one am very grateful to you. Thank you.

Chairman FORD. As chairman of the committee, I too would like to associate myself with the remarks of my colleague, Mr. Pease from Ohio, and say that it is good to know that the subcommittee would have witnesses who are testifying who are affected by the unemployment problem which we are faced with in this country.

It is very easy for those who have not been affected by it to come here and tell us that it is the wrong thing to do. I would hope and trust that there are members on this subcommittee as well as the full committee, along with the House of Representatives, that will see fit to expedite the legislation in whatever form. The subcommittee will propose a package to be ready to go the latter part of this week, no later than early next week.

As chairman of the committee, I would like to thank all of the witnesses on this panel for coming and giving your testimony. Thank you for coming.

The next person to be called up—I will yield to Mr. Pease on the subcommittee.

Mr. PEASE. Mr. Chairman, it is my pleasure to ask to come to the witness stand the Governor of Ohio, the Honorable Richard Celeste.

Mr. Chairman, in so doing, I would just like to indicate that I have known Governor Celeste for well over a decade now; at the time when he first came to the Ohio legislature in 1970 and 1971 and became a Lieutenant Governor in 1975 and now of course is the Governor of the State.

He has displayed on many, many occasions to my personal knowledge a great deal of concern about the working people of Ohio and most specially in these days the nonworking people of Ohio. And I think it is further testimony to his interest that he could take time from his schedule to come and appear as a witness for our subcommittee today.

So I am especially happy to welcome him and I look forward to his testimony.

Chairman FORD. Governor, we are delighted and honored to have you testify before the subcommittee today. The Chair will recognize you at this time.

STATEMENT OF HON. RICHARD F. CELESTE, GOVERNOR, STATE OF OHIO

Governor CELESTE. Thank you very much, Mr. Chairman and Congressman Pease and members of the subcommittee.

I want to express my appreciation for the opportunity to testify, and I know it has been a long day, on a subject that is hard to discuss in abstract terms that really has to come to grips within a very concrete way so I appreciate the fact that you are here at this late hour this afternoon to hear this testimony.

I want to explain that those postcards—there are nearly 8,000 of them in front of me—are postcards that were all sent to me by men and women, some working, many unemployed in the Youngstown, Warren area of Ohio, the Mahoning Valley, urging my action to oppose the cut of extended benefits which occurred in sometime past.

As I met with many of the representatives of these workers, I indicated a desire to share their message with the Members of Congress and particularly your delegation.

I want to thank you for this opportunity to discuss the Federal unemployment benefit programs and their impact on Ohio's unemployed and in some respects I am appropriately coming after individuals who are here on their own or as part of organizations in Ohio speaking on behalf of their brothers and sisters who are unemployed.

Joining me here today are individuals who themselves are out of work who represent hundreds of thousands of their neighbors in our State who are unable to find a job. I would like to just testify briefly if I may, Mr. Chairman, and then share with these neighbors of mine an opportunity to speak of the personal pain really and concern of being unemployed in a land of plenty these days.

I want to urge this subcommittee to take a number of actions quickly to assist this Nation's unemployed.

First, it is absolutely essential that Congress continue the Federal supplemental compensation program beyond its September 30 expiration date. I would urge this extension include a reach-back provision so that people currently receiving benefits are not in one fashion or another lost in the transition.

Your quick action can assure that no one loses desperately needed benefits or suffers from an uncertainty during the weeks immediately ahead.

Second, it is absolutely essential that this committee take lead in changing the method which is used to determine the level of unemployment which triggers benefits so that it accurately reflects the full extent of the long-term unemployment problems that face many of our States. It is certainly evident in Ohio.

Third, this subcommittee must address the problem created by long-term unemployment in a more profound way. There is a need for comprehensive reform in the current unemployment insurance benefit structure. The present structure must be made more rational providing the most benefits to those States or those communities where there are large concentrations of long-term unemployment.

Mr. Chairman and members of the subcommittee, let me give you a perspective as the governor from a State with over half a

million people who are officially unemployed. Officially, 564,000 Ohioans are out of work. That official unemployment rate is 10.8 percent, the third highest of the Nation's industrial States.

The official figure simply does not tell the whole story. Nor do they reflect the real human dimensions of the tragedy of unemployment.

You have heard those expressed very eloquently just in the last few minutes. In fact, today, more than 800,000 Ohioans are without a job. That is a nonofficial number. You won't see it in any formal U.S. Government or Labor Department report.

About a quarter of a million Ohioans have given up hope of ever finding a job. They still try. I am not saying that they are not going out and looking, but they have a very realistic appraisal of their opportunities for full-time, dependable work in their communities at this point in time.

Many of them are the statistically invisible unemployed. And I have to say I listened to someone just a few moments ago talking about living in a home without a phone. I spent the night in Mingo Junction outside of Steubenville last Friday in the home of a steelworker who is unemployed who has worked 56 weeks in the last 3½ years and whose wife was recently laid off from her job at the mall.

They do not have a phone in their home. They can't get called back when they put an application in for work and it is a desperate, desperate circumstance in which many of these individuals and families find themselves.

Although there are officially 564,000 unemployed Ohioans, the calculation for participation in Federal benefit programs is based on the States insured unemployment rate. Ohio is presently 3.6 percent but the IUR is dramatically misleading and is not an accurate measure of the real unemployment because it totally ignores the existence of these nearly 400,000 long-term unemployed simply because they have the misfortune of being unemployed more than 26 weeks.

This calculation punishes States and communities that have borne the greatest burden of this recession and individuals who have suffered most severely. Hundreds of thousands of Ohioans are caught in this federally controlled vice, squeezed out of benefits because of a calculation which neither reflects total unemployment nor the severity of long-term and structural changes in the work force.

Bob Nulph, an unemployed steelworker from Lorain, probably said it best when he told me Labor Day, "We are nobody. We are not even counted."

A young woman in Mingo Junction, as we talked that evening, she said, "You know, Governor, we have been thrown overboard."

During the recession of 1975-76, when Ohio's unemployment rate averaged between 9.1 and 7.8 percent; 9.1 percent was the highest. Ohio's 400,000 jobless were able to receive a maximum of 65 weeks of benefits. Today, with an unemployment rate of 10.6 percent and more than 564,000 individuals officially calculated in our total unemployment rate, Ohio's jobless workers receive a maximum of 36 weeks benefits.

In attempts to slash Federal spending, the Reagan administration pushed into law reforms of unemployment benefit programs that pulled the rugs out from under millions of unemployed. In 1981, the Reagan budget made calculated decisions about who would benefit from Federal dollars and the unemployed lost.

As I have indicated to you, and let me just explain a bit further as a consequence of the changes contained in Gramm-Latta. There are today over 150,000 Ohioans who are not receiving benefits who would have received them prior to those changes in law.

Today we looked at figures on prior exhaustees and what is happening. Ohio's highest yearly exhaustion rate for unemployment, those who worked all the way through the system, was 254,000 individuals in 1982. The second highest year was 1980 with 180,000 individuals. The 1982 figure was the highest ever since 1939. We have already in 3 months had 170,000 individuals exhaust their benefits in this State and 3 months from June through August 1983.

In major categories, 21,000 were nonelectrical machinery; 16,000 in primary metals; 15,000 in transportation equipment.

It is interesting to note and discouraging to note how many of those individuals are over the age of 45 and find it harder to move, find it harder to get back into the work force.

At a time when we have more people unemployed than during the Great Depression, the Reagan administration has neglected our unemployed by providing benefits to far less people for a shorter period of time.

You are familiar with the recent Brookings study by Gary Burtless which reported tightening of the trigger mechanism and the failure to enact a supplemental program similar to the one in 1975, 1977, which has denied jobless benefits to a large fraction of workers.

I could go on at length. I want to underscore again if I may and then have others really speak to the personal dimension of this. It is key that we eliminate any uncertainty and extend the FSC, but it is also, I think vitally important for this committee to take the leadership in insuring that the calculation of whose entitled to these benefits really reflects the needs of those who are long-term unemployed.

I want to echo what I heard just a few moments ago. As I have talked to unemployed individuals in every part of the State of Ohio their first choice isn't for unemployment compensation. Their first choice is for a job. Their first choice isn't to go onto welfare. Their first choice is for a job. Their first choice isn't health protection. My first desire is for a job. But if I don't have a job and if I can't get a job and my family needs health coverage and I need food on the table, then please help us out. And that is a message repeated not by a handful, not by a few hundred, not by a few thousand but by literally hundreds of thousands of people in the State of Ohio.

I appreciate this opportunity to share my concerns with you as the Governor of the State.

[The prepared statement follows:]

STATEMENT OF RICHARD F. CELESTE, GOVERNOR OF THE STATE OF OHIO

Mr. Chairman and members of the Subcommittee on Public Assistance and Unemployment Compensation:

I want to thank you for this opportunity to discuss the federal unemployment benefit programs and their impact on Ohio's unemployed.

Joining me today are a number of Ohioans who represent hundreds of thousands of their neighbors from across our State unable to find a job. Following my brief testimony, you will have an opportunity to hear them speak about the personal pain of being unemployed in "the midst of plenty."

Today, I want to urge that this subcommittee take a number of actions to assist the nation's unemployed.

First, it is absolutely essential that Congress continue the Federal Supplemental Compensation program beyond it's September 30, 1983 expiration. This extension must include a "reach-back" provision so that people currently receiving benefits are not lost in the transition. Your quick action can assure that no one loses desperately needed benefits.

Second, it is also absolutely essential that this Subcommittee change the method used to determine the level of unemployment so that it accurately reflects the full extent of the long-term unemployment problems faces by a state.

Third, this Subcommittee must address the problem created by long-term unemployment. There is a need for comprehensive reform in the current unemployment insurance benefit structure. The present structure must be more rational, providing the most benefits to states with the highest unemployment.

Mr. Chairman and members of the Subcommittee, let me give you a perspective as the Governor from a State with over half a million unemployed.

Officially, 564,000 Ohioans are out of work. Our official unemployment rate of 10.8 percent is third highest of the nation's industrial states.

But official figures do not tell the whole story nor do they reflect the full dimension of the tragedy of unemployment. In fact, today, more than 800,000 Ohioans are without a job. But that is a non-official number that you will not see in any U.S. Labor Department analysis of Ohio. One quarter of a million Ohioans have given up hope of ever finding a job. They are the "statistically invisible" unemployed—no longer calculated in any official unemployment figures.

Although there are officially 564,000 unemployed Ohioans, the calculation for participation in federal benefit programs is based on the State's insured unemployment rate. Ohio's is presently 3.6 percent but the IUR is dramatically misleading and is not an accurate measure of real unemployment as it totally ignores the existence of over 400,000 long-term unemployed simply because they have the misfortune of being unemployed more than 26 weeks. This calculation punishes states that have borne the greatest burden of this recession and individuals who have suffered most severely.

Hundreds of thousands of Ohioans are caught in this federally controlled vise—squeezed out of benefits because of a calculation which neither reflects total unemployment nor the severity of long-term and structural changes in the work force.

Bob Nulph, a Cleveland unemployed steelworker probably said it best when he told me on Labor Day, "We're nobody. We're not even counted."

During the recession of 1975–1976 when Ohio's unemployment rate averaged between 9.1 and 7.8 percent, Ohio's 400,000 jobless could receive a maximum of 65 weeks of benefits. Today, with an unemployment rate of 10.8 percent and more than 564,000 persons officially calculated in our total unemployment rate, Ohio's jobless workers could only receive a maximum of 36 benefit weeks.

In attempts to slash federal spending, the Reagan Administration pushed into law reforms of unemployment benefit programs that pulled the rug out from under millions of unemployed. The 1981 Reagan Budget made calculated decisions about who would benefit from federal dollars. The unemployed lost.

As you can see from the attached chart, as a result of changes made in the 1981 budget, today, over 150,000 Ohioans are not receiving benefits.

At a time when we have more people unemployed than during the Great Depression, the Reagan Administration has neglected our unemployed by providing benefits to far less people and for a shorter period of time.

A recent Brookings study by Gary Burtless reported that the tightening of the trigger mechanism and the failure to enact a supplemental program similar to the one in 1975–77 denied jobless benefits to a large fraction of workers.

"There is no mystery about why this occurred," wrote Burtless. "Interpreting the 1980 election results as a mandate for less spending on social insurance and welfare programs, public policy makers reduced income protection available to workers

during long spells of joblessness." He concluded, "the collective effect of the reforms was to significantly reduce income protection and countercyclical stimulus from unemployment compensation in the midst of the worst economic downturn since the Great Depression."

In addition, Burtless wrote, "whatever its fate is in triggering extended unemployment benefits, the insured unemployment rate should be temporarily retired as a serious measure of labor market conditions."

The only thing I would add is that I believe the IUR should be permanently retired.

Since May 15, 1983 Ohio's unemployed have been hit by a rapid succession of blows which have caused reductions in their benefits. In the past 5 months, 173,000 Ohioans have lost all benefits. They have not, I might add, gone back to work.

On May 15, 1983, Ohio "triggered off" and lost extended benefits. Claimants receiving extended benefits were shifted to Federal Supplemental Compensation (FSC). However, as a result, during the months of June, 90,000 workers had lost all benefits.

On June 21, 1983, the Department of Labor reinterpreted the law in such a way that Ohio lost two weeks of Federal Supplemental Compensation. As a result, 125,000 workers again lost all of their benefits.

On August 12, due to the misleading measurement of unemployed used by the Department of Labor, Ohio lost another two weeks of FSC, reducing the number of FSC benefits in Ohio to eight weeks.

Just four weeks ago, Congressional action restored, in additional two weeks of FSC benefits with passage of H.R. 3409. I was pleased that a resolution I sponsored at the National Governor's Association meeting was unanimously approved by the nation's Governors in support of H.R. 3409. While H.R. 3409 helped, I want to stress it was only a first step to restoring adequate benefits for our unemployed.

As you deliberate on further actions, I want to urge that you repudiate any efforts to balance the budget on the backs of the nation's unemployed. There are hundreds of thousands of Ohioans who need your help. They depend upon our leadership.

In 1934, during the height of the Depression, Henry Wallace called unemployment, "human waste in the midst of plenty."

Nearly 50 years later, Mr. Chairman and members of the Committee, this nation of ours is still faced with human waste in the midst of plenty.

Governor CELESTE. I would like, if I may, Mr. Chairman, to introduce just two members of a variety of unemployed individuals who have joined me here today because of their concern really to represent brothers and sisters who are not working in our State, for brief comments if it is agreeable with the Chair.

Chairman FORD. You may introduce them, Governor.

Governor CELESTE. Thank you very much, Mr. Chairman.

First let me introduce Darryl Harley, of Cincinnati, Ohio, who is an unemployed operating engineer. I might indicate that Mr. Harley is currently attending the University of Cincinnati on veterans' benefits. He has been employed 5 months out of the past 3 years under CETA programs. I would like to ask Mr. Harley to speak.

STATEMENT OF DARRYL HARLEY, OPERATING ENGINEER, CINCINNATI, OHIO

Mr. HARLEY. First of all, Mr. Chairman, I would like to extend on behalf of the unemployed people not only in Ohio but throughout this Nation this opportunity afforded me to address this committee. It just goes to show one that even the ordinary citizen does have an opportunity to address its Government and on behalf of those individuals I would like to say thank you.

Let me begin by saying I am a 29-year-old Vietnam veteran. I served from 1972 until 1975 and was honorably discharged and I have been out of work for the past 3 years. I have worked not on a

steady basis but have had off-and-on jobs in that 3-year period but nothing steady.

I have spent 3 years of my youth searching for work. I feel that I was responsive to this Nation's call for a serviceman, someone that stood up for what this country is supposed to be about. Yet I come home and I find that this Nation hasn't been responsive to my needs, not only as an ex-serviceman but as a man.

It hurts me and saddens me deeply to address this committee, to sit in this Nation's Capital, to be exposed to the national media concerning a problem such as this. It is a sad moment for me personally but I feel that if it does have an effect upon your decision and if it can help alleviate the high unemployment that exists in this Nation then this is a price worth paying.

I live at home with my mother. I feel at 29 years old I should be independent enough to stand on my own two feet and I would do this if I was afforded that opportunity but that opportunity has been taken away from me.

I love this Nation. I think it is the best country on Earth. I feel if we can put a man on the Moon, we sure as hell can put a man to work.

Thank you. [Applause.]

Governor CELESTE. Mr. Chairman and Congressman Pease, I would like to introduce Perry DeWeese from Youngstown, Ohio, an unemployed steelworker and president of local 7335.

STATEMENT OF PERRY DeWEESE, STEELWORKER, YOUNGSTOWN, OHIO

Mr. DEWEESE. Thank you, Mr. Chairman.

At this time I would like to make a comment. I am also here representing the Mahoning/Trumbull County coalition who represents over 10,000 unemployed people in the Mahoning Valley.

I will try to relate for the sake of not being repetitive, I will only touch on things that I feel need to be repeated. I have heard a lot of comment, a lot of testimony while we were waiting to come up here and I want to repeat only the things that I feel need to be repeated.

I worked for a steel mill equipment builder. We are a result of the spinoff of the decline of the steel industry that has gone downhill for the last 10 years and I think that we are looking at a real crucial problem and I think our world problems we have had in the last few weeks should indicate that we cannot be a country that is dependent upon foreign steel to make our war supplies. And I think that we are in a very critical situation and I think that this Congress is going to have to take action to try to do something to rebuild the steel industry.

I represent some 500 steelworkers that are out of a job. In December of 1982 when we and United announced the closing of the Warren, Ohio, manufacturing plant, we had a number of people that have exhausted their benefits already. A lot of the people had no other way to go. They had to go on early retirement. These are people that do not show up in the statistics. These are the people that are no longer in the labor market. These are people that still

have to go out and hunt jobs because their income from early retirement is not sufficient for them to live on but they are still looking for jobs. They are not away from the labor market.

Many of the people have exhausted their unemployment benefits already and have joined the welfare lines. Many are not eligible for welfare because they own too much. They have been stripped of their dignity. They have to begin to sell off their homes, their automobiles, their boats, any recreational vehicles they would have gotten over the years of working for a living.

These people should have jobs but if you cannot provide jobs then they should get benefits until they can get meaningful jobs.

Contrary to the public opinion and the opinion of the administration, these people want to work. Many of our laid off members have taken jobs even though they still have unemployment benefits left. They have taken jobs of a lesser wage jeopardizing their benefits in the future. If they have a subsequent layoff, then they risk having a lower benefit at a later date. But these people want to work. They don't want to be on the unemployment roles.

It is my understanding that the Federal supplemental extension is part of a compromise that raised or lowered the taxable income on unemployment benefits. The taxable income on unemployment benefits in 1981 was $25,000 for a married couple and $20,000 for a single individual. It is now $18,000 and $12,000.

Using a little calculation, a married worker filing jointly who earned $20,000 in wages and $5,000 in unemployment benefits would pay approximately $1,100 more income tax in 1982 than what he would have paid under the old law.

We have other problems. I read an article in the Youngstown Vindicator on September 2, quoting the director of Eastern Mental Health Center and in quoting the individual, he says he is seeing the aftershock of the people laid off 2 years ago. We see them after the unemployment checks stop coming in. He stated he had a caseload of 1,000 and there is 10,000 out there that need their help but they are too ashamed to come in.

Let me say that we are representing, we have a new breed of unemployed people. With the plant closings and the economy as it is, we are looking at people that have 20 and 30 years seniority with their employers. When they enter the unemployment role, if they have to go out looking for a job, it is harder for them to get a job because their prospective employer is looking for them to be called back to their former employer so they won't hire them.

They can't get a permanent job. They are on the unemployment role. We are looking at American people that have been good taxpayers over the years. These are the working people that pay their taxes and they don't cry about it. They don't try to cheat on their taxes. They pay them. These are the people that represented this country in World War II, the Korean war and the Vietnam war. Now they are coming to their Government and asking them to help. Is the Government going to say to them, "We are sorry. We don't have any money left. We already spent it."

Thank you very much. [Applause.]

Chairman FORD. Mr. Pease.

Mr. PEASE. Thank you very much, Mr. Chairman. I would like to thank Governor Celeste and Mr. Harley and Mr. DeWees for their testimony.

Governor Celeste, I was distressed to hear you say a few minutes ago that the IUR rate in Ohio is down below 4 percent; is that right?

Governor CELESTE. Let me see if I can track the figures for you, Congressman. If we look at the experience of the IUR rate as compared—let me give you the May, June, July, and August insured unemployment rates.

The rate in May was 5.35, 210,000. June was 4.52, 178,000. July, 4.03, 156,000. August, 3.65, 141,000. At the same time, total unemployment rates for those months were 12.8 percent, 10.9 percent, 10.8 percent. The formal number for August, 565,000.

So you can contrast the 565,000 total unemployment with an insured unemployment of 141,000 and see the kind of "Alice in Wonderland" quality of the measures that is being used to determine where extended benefits go.

Mr. PEASE. Exactly right. I think that testifies very eloquently to the need to change that IUR computation as has been proposed in legislation by several members of the Ohio congressional delegation, specifically, Mr. Feighan and Ms. Kaptur and myself and others.

According to the administration's testimony this morning, they are in favor of continuing FSC, but under a proposal they would limit the number of weeks of FSC to 6 weeks in those States where the IUR is below 4 percent. That means that Ohio would have a grand total of 26 weeks under the State program and 6 weeks under the Federal program—32 weeks in a State where we still have 600,000 people unemployed.

It is beyond my belief that the administration would support such a program. Is it beyond your belief, too, sir?

Governor CELESTE. Mr. Chairman and Mr. Pease, my belief has been stunned on more than one occasion in the past few months as I have watched the benefits being lopped off for those workers most in need.

I guess I would strongly and vigorously oppose that recommendation, and encourage the subcommittee and the committee to wrestle with what I know is a problem, and that is, how do we most effectively direct limited resources to the needs of our unemployed?

I think clearly the insured unemployment rate does not measure what is happening to the long-term unemployed—those who, through no fault of their own, no expectation of their own, have been knocked out of work and find it very, very hard to get back into the workplace.

Chairman FORD. Will you yield?

Mr. PEASE. I would be happy to.

Chairman FORD. Have you talked with other Governors or has the Governors' conference or association taken a position yet on the extended benefits or communicated at all with the White House?

Governor CELESTE. Mr. Chairman, I am glad that you raised that question.

I have certainly talked with other Governors. In fact, in Portland I have worked closely with them to communicate with you and your colleagues in behalf of the measure which restored a few weeks of benefits in the Federal supplemental program.

As a matter of fact, I was going to indicate at the end of our discussion that I do have for the record testimony on behalf of the National Governors' Association.

I would point out, however, that in that testimony we do not have a good answer in terms of what to substitute for the present trigger other than to say that a substantial number of States are suffering because of the insufficiency or the ineffectiveness of that present IUR.

So if it is appropriate at this time, I would share with you for the record the testimony of the National Governors' Association.

Chairman FORD. Without objection, we will make it a part of the record.

[The prepared statement of National Governors' Association follows:]

STATEMENT OF THE NATIONAL GOVERNORS' ASSOCIATION

Mr. Chairman, Members of the Subcommittee, the National Governors' Association is aware that a number of legislative proposals designed to change the unemployment insurance program are currently before the Subcommittee for its consideration. The Governors have consistently supported the unemployment compensation system as this nation's first line of defense against economic downturn and accept their responsibility for working with state legislatures, the Congress, and the Administration to assure program adequacy.

The Governors believe a comprehensive review of the fundamental concepts that underlie the unemployment insurance system is long overdue; there is a need to explore both short- and long-term modifications to the system. Such comprehensive reforms must be formulated, in concert, by federal and state policymakers. In the interim, however, the Governors have an immediate concern. In light of continuing high unemployment as this nation emerges from the recessions of the last several years, the Governors believe that further assistance must be available to jobless workers and their families. We would therefore urge an extension of the current Federal Supplemental Compensation program beyond September 30, 1983.

We are pleased that, once again, legislation in an area as critical as unemployment insurance will be the focus of congressional attention. While the National Governors' Association is not prepared at this time to offer specific legislative proposals in response, we are prepared to discuss in detail some of our concerns for both the short and long term. In this context, we would like to begin by offering some specific remarks on an unemployment insurance issue where the Governors perceive a short-term and immediate need. We wish to follow by outlining some generic principles which we feel are critical for longer-term consideration of benefit structure and financing reform under the unemployment insurance system.

SHORT-TERM PROBLEM

The severity and duration of the two recessions experienced by this nation over the last three years have caused record high levels of unemployment. The strain of so many unemployed persons and the length of their unemployment tested the financial capacity of state governments to meet their obligations to those in need. This in turn caused the states to seek assistance from the federal government. Congress responded with the passage of the Tax Equity and Fiscal Responsibility Act of 1982. This Act authorized a program of Federal Supplemental Compensation (FSC) designed to provide further assistance to the long-term unemployed. The program of supplemental benefits has since been modified and extended by the Surface Transportation Assistance Act of 1982 and the Social Security Amendments of 1983. Authorization for the Federal Supplemental Compensation program expires on September 30, 1983.

In recent days, the nation has heard the Administration, some members of Congress, and a number of leading economists state cautiously that economic recovery

is now underway. However, historical data reveal that unemployment levels tend to drop slowly after recessions, lagging behind other indicators of economic recovery. Economic recovery will be slow in coming to a number of states, especially to those states which comprise our nation's industrial heartland and which have been hardest hit by the recession. The national unemployment rate in August still stood at 9.5 percent, unchanged from the July rate. The prognosis for recovery, then, is slow and the need for continued assistance is still great.

The nation's Governors recently assembled in Portland, Maine, for their annual meeting. The perceived need by all Governors for further assistance for unemployed workers resulted in a unanimous action to amend existing policy as follows:

"The National Governors' Association urges the Congress to act promptly to extend the Federal Supplemental Compensation program beyond September 30, 1983."

The Governors recognize that the FSC program is, perhaps unnecessarily, too complex to understand and too complicated to administer. These problems notwithstanding, the Governors believe there is still an urgent need for supplemental benefits and, in the short term, we support an immediate extension of the current FSC program. The Governors continue to believe that the benefit and administrative costs associated with Federal Supplemental Compensation should be financed through federal general revenues; the long-term unemployment which FSC was designed to address has been caused by macroeconomic factors beyond the control of any state and, as such, costs should not be borne by the taxpayers of any single state.

LONG-RUN CHANGES

During the recession from which we now appear to be emerging, our national unemployment insurance system was severaly strained. While needed relief to millions of jobless workers was provided through the system during this period, the experience has brought to the fore a number of problems in the system. For example, as a result of the recession, states experienced an unanticipated and massive increase in the volume and duration of claims activity. This caused considerable pressure on state unemployment insurance trust fund reserves and yielded staggering deficits in many states.

Moreover, at several points during this period of economic decline, only a handful of states, some with unemployment rates as high as 15 percent, qualified for the Extended Benefit program. Indeed, only two states, West Virginia and Louisiana, and the Commonwealth of Puerto Rico, are currently eligible for this program based on their rate of insured unemployment.

Furthermore, Congress was not able to establish a supplemental benefit program during the past recession until national unemployment reached 10 percent. This caused great hardship to workers who lost their jobs early in the recession and who exhausted basic and extended benefits before supplemental benefits became available.

Finally, the various extensions and modifications to supplemental benefits programs have proved a nightmare to individuals charged with the responsibility to administer these programs. These changes also have caused much confusion and frustration in the minds of jobless workers who need to avail themselves of such assistance.

Along with this revelation of weaknesses in the existing Unemployment Insurance Program is an emerging recognition that this nation is confronting significant shifts in its technology and economic base. The current restructuring from a manufacturing-based to a service-based economy, coupled with the constant alteration of complex technology, portends many changes in the skill requirements needed by our workforce and the displacement of significant numbers of workers from jobs in core industries.

Taken together, the problems in the existing unemployment insurance programs and the projected need for assistance to deal with future economic dislocations point, we believe, to a need to rethink the structure and financing of benefits under the unemployment insurance system beyond the state-run basic programs. In the absence of a rational, permanent and simpler program of extended compensation, an extension of FSC now is well-justified. However, the historical pattern of temporary and expendient efforts to solve the serious problems of extended unemployment must soon come to an end. A comprehensive approach to long-term unemployment assistance cannot, however, be hastily drawn. Instead, it must evolve from a conscientious dialogue between the federal and state partners with each given ade-

quate time to address the full administrative and financial implications of any proposals.

The National Governors' Association does not wish at this time to advocate any specific proposal. We would, however, like to suggest to the Subcommittee some fundamental concepts and underlyng principles which we believe essential to longer-term efforts to reform the structure and financing of benefits under the unemployment insurance system:

A new, permanent, comprehensive extended unemployment insurance benefit program should be established, which will remain a federal-state partnership but will require that in periods of high unemployment, the federal partner will contribute the greater amount. As unemployment within a state reaches levels beyond which that state's employers can be expected to cover the entire costs of extended benefits, the federal partner should finance a share of the extended benefits partially through FUTA revenues and partially through federal general revenues. At a still higher level of unemployment, the federal partner should finance the entire costs of extended benefits through federal general revenues.

There must be a close tie between this program and training and work programs that are designed to assist long-term unemployed persons in returning to the productive workforce. Careful consideration must be given to any incentives/disincentives included in such a program.

States must be given as much flexibility as possible in the administration of such a program. For example, work search requirements must be tailored to meet local labor market conditions.

States must have sufficient lead time to adjust their own laws, budgets and administrative procedures to major changes in federal funding or policy.

In conclusion, on behalf of the nation's Governors, the National Governors' Association would ask in the short term that the Subcommittee and the Congress move forward to extend the current Federal Supplemental Compensation program. For the longer term, all who have witnessed the way the extended benefit program functioned in the past recession must agree that a comprehensive review is needed. The Governors welcome congressional initiative to re-examine some critical aspects of the unemployment insurance system. We would urge, however, that a "reform proposal" not be hastily drawn, that there be sufficient hearing of pertinent issues, and that the examination include questions such as the following:

Is the current use of insured unemployment the most appropriate measure for determining a state's need for additional benefits under the unemployment insurance system?

Do states trigger on and off extended benefit programs due to seasonal factors? Should trigger rates be seasonally adjusted? Would seasonal adjustment mean that extended benefits would be paid at the time it is most needed?

The time period for computing the trigger rate is currently 13 weeks. Is the 13-week moving average too long or too short a period to use?

After several weeks of high unemployment, a state may still have difficulty meeting the required 20 percent factor. At the same time, in some states with relatively lower unemployment, the rate may double but still be too low to trigger on.

The Governors wish to emphasize that while we are not prepared to endorse any specific legislative proposal that recommends major modifications to extended benefits provisions at this time, this should not be interpreted as a lack of commitment for, or lack of interest in, such changes. Rather, it is simply a reflection of insufficient time to assess states' views of the implications of the changes which have been recommended. We do believe that some of the proposals currently before the Subcommittee merit further consideration, and we are now exploring forums within the National Governors' Association to accomplish the careful review of unemployment insurance program and policy issues. The Governors remain committed to working with appropriate congressional committees and members on legislation that will address the needs of the unemployed and simultaneously take into account the financial capacity of the states to deal with the problems of high unemployment.

Please be assured that unemployment insurance is an issue of overriding concern to the Governors and we will continue to apprise the Congress of our thinking in this critical policy area. We trust the Congress will provide other opportunities for the re-examination of the unemployment insurance system, perhaps with the next expiration of the Federal Supplemental Compensation program.

Chairman FORD. Governor, the administration testified this morning before the committee and indicated that any changes in the EB program would be opposed strongly by the administration.

He went on to say that if Congress sent legislation to the White House changing the extended benefits, that the President would not approve it. I guess he would veto the legislation if it were to rescind some of the action in the Reconciliation Act.

Governor CELESTE. Mr. Chairman, I noticed in looking at the testimony of the administration this morning, I would point out that the extended benefit programs, the States do pick up a share of the costs in that program, which is one reason why it has been hard to get all of the Governors together on a position.

Chairman FORD. What is it, 50 percent?

Governor CELESTE. That is right. But one way or another, those costs get passed on to the State and local governments, on to communities and on to social service agencies and on to real human beings.

I guess my hope as a practical politician would be that we do what best can be done on the FSC program now and move quickly, and there must be a more basic examination of the whole issue of long-term unemployment and how to provide appropriate assistance, and I think that goes beyond 36 weeks.

I think even if we preserve the 26 plus 10, we still have a serious problem as a nation. I think you have heard from two very eloquent Ohioans—more eloquent than the Governor, I imagine—and many others today on that.

Chairman FORD. One final question. The data that we are submitting to the record from the Governors' record submitted in Portland, does it point out or go into detail as it relates to the extended benefits?

Governor CELESTE. It describes some of our concerns about the inadequacy of the trigger mechanism but does not propose alternatives.

We look to the experience and the wisdom of the members of the committee for that purpose.

Chairman FORD. I made that point, Governor, when this committee reports a bill out, when we are in a markup session, hopefully later this week, I would like to know where the Governors are, because I am sure if this committee would take some action to rescind some of the things that happened in the Reconciliation Act, that we want to know that we would have the help and assistance of the Governors Conference to communicate very well with the White House.

Governor CELESTE. Mr. Chairman, I discovered when I arrived here this afternoon that I have been asked to assume responsibility for the Employment and Training Subcommittee of the National Governors Association, which is focused on this issue, and I can assure you as the subcommittee chairman, I would be happy to work with you and staff to keep the Governors informed and to enlist their help in whatever the committee in its wisdom proposes to move forward to meet this urgent need.

Chairman FORD. Thank you, Governor. And thank you, Mr. Pease, for yielding.

Mr. PEASE. I know, Governor Celeste, that you have other appointments. Let me just ask you a couple of quick questions to summarize your testimony.

You are fully in support of the FSC extension?

Governor CELESTE. Yes.

Mr. PEASE. You are fully in support of a reach-back provision to help those workers who have already exhausted their benefits?

Governor CELESTE. Yes.

Mr. PEASE. You are also fully in support of EB trigger changes which would allow States like Ohio to trigger back on to EB?

Governor CELESTE. That is right, and I am particularly concerned about the trigger mechanism because it also determines how much FSC benefits we are entitled to. We have lost benefits for FSC in the last several months in spite of continuing high unemployment.

Chairman FORD. Mr. Pease, he indicated also that he was in support of some quick action. I made note of that as well.

Mr. PEASE. Mr. Chairman, just in conclusion, I can't say how pleasant it is to have a governmental official at some level come before us today and answer all our questions.

Governor CELESTE. If I may, Mr. Chairman, offer one observation that is prompted by Congressman Pease's comment.

We have to meet the costs in our State of whatever the decisions are here in Washington, our unemployment compensation and the rest. We are going through a battle in Ohio and in many States, particularly in the industrial heartland, but it is true in other States as well that have suffered tremendous changes in their economic base where the costs to sustain basic essentials for our families who are out of work come back as a burden to State and local government.

And we balance our budget in the State of Ohio. We are obliged to. We do it sometimes by cutting services and sometimes by increasing taxes, but it is an obligation we have been forced to meet.

So I am not sympathetic to the concern about how do we do this. That, I know, is substantial and that you face, but there is real need and real hurt.

We have in addition to Mr. Harley and Mr. De Weese a half dozen other workers who come from all parts of Ohio and every kind of work, autoworkers, building trades, coal miners, individuals who have worked all their adult lives, who provided for their families in that way and desperately want that opportunity again. In the meantime, they want help.

Chairman FORD. Thank you, Governor.

The Chair would like to thank all of those witnesses who testified before the subcommittee today and make the public announcement now that at 9:30 Thursday morning, September 15, the Public Assistance and Unemployment Compensation Subcommittee will meet in B-318 for the markup session of the Federal supplemental compensation legislation and all other related bills at that time.

[Whereupon, at 5:35 p.m., the hearing was adjourned.]

[Submissions for the record follow:]

EXXON CORP.,
New York, N.Y., September 14, 1983.

Hon. HAROLD E. FORD,
Chairman, Public Assistance and Unemployment Compensation Subcommittee, Rayburn House Office Building, Washington, D.C.

DEAR REPRESENTATIVE FORD: As I know you are fully aware from Bureau of Labor Statistics reports, during the recent year of 1982, some 26.5 million persons—22 percent of the labor force—experienced a spell of unemployment, a record proportion during any of the postwar recessions. Recognizing that the severity of the recession

was resulting in an increase in the average duration of unemployment, Congress enacted last September the Federal Supplemental Compensation (FSC) program to provide additional weeks of unemployment benefits to individuals who had exhausted their regular benefits and, where applicable, their extended benefits.

Although economic recovery is proceeding apace, the impact of the recesssion is still being felt by some 10.7 million people who remained unemployed in August, 1983. With the authority for FSC scheduled to expire on September 30, large numbers of unemployed workers face the potential of losing an important source of assistance during their period of unemployment.

My company, in conjunction with those listed in the attachment, has been studying the unemployment problem. As you well know, the issue is diverse and complex, and an optimal long-term solution has been difficult to develop. We find ourselves trying to balance conflicting goals—we're staunch supporters of a sound unemployment benefit program that will tide workers over periods of temporary unemployment, but not at the same time discourage them from accepting new employment; we feel it is imperative to balance the federal budget, but at the same time, we cannot turn our backs on the plight of the unemployed. While our deliberations on a long-term solution continue, we have reached a consensus that the existing authority and provisions of FSC should be extended for a six-month period. On behalf of my colleagues and our companies, I ask that our support for an extension be made part of the record as your subcommittee considers the reauthorization of the Federal Supplemental Compenstion program.

Sincerely,

C. C. GARVIN, Jr.,
Chairman of the Board.

ATTACHMENT

Stephen D. Bechtel, Jr., Chairman, Bechtel Group, Inc.
Charles L. Brown, Chairman, American Telephone & Telegraph Co.
James E. Burke, Chairman, Johnson & Johnson.
James H. Evans, Chairman, Union Pacific Corp.
Philip M. Hawley, Chairman, Carter, Hawley, Hale Stores, Inc.
Reuben F. Mettler, Chairman, TRW Inc.
Rogers B. Smith, General Motors Corp.
John F. Welsh, Jr., Chairman, General Electric Co.
Walter B. Wriston, Chairman, Citicorp.

STATEMENT OF HON. EDWARD F. FEIGHAN, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

I am grateful for the opportunity to testify before this distinguished subcommittee today.

In addition to testifying on behalf of H.R. 3112, my bill to make extended unemployment benefits available to states that have unemployment rates of 9 percent or more, I am here to present my constituents' side of this tragic unemployment story. With 14 percent unemployment in my district, it is impossible for me to sit back and patiently wait for some magical force to improve the lives of 11 million Americans and their families.

The time is now for Congressional action. The chairman and members of this subcommittee recognize this and I am pleased that we are having these hearings today.

Before I discuss the merits of my bill, I would like to say that I fully support the spirit of all 12 bills being considered at this time. Each one of these measures would significantly aid unemployed Americans who have exhausted their unemployment benefits.

It is my wish that my honorable colleagues on the Ways and Means Committee will soon see fit to mark-up one of these bills and bring it to the floor of the House of Representatives for a vote.

In the 19th District of Ohio, the disastrous effects of long-term unemployment continue to take their toll. Thousands of my constituents have lost more than their jobs: they have lost their unemployment benefits too. These citizens no longer have any source of income, and they no longer have any faith in the government of the United States. As members of Congress, it is our duty to help create an economic climate that allows these people to be put back to work. And until that time, we must ensure the equity and efficiency of federal unemployment compensation programs.

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I have introduced H.R. 3112 to make extended unemployment benefits available to states that have unemployment rates of 9 percent or more. Because of a defect in the present law, unemployment benefits are being denied to workers from the very states that have suffered the most during this ruthless recession.

On May 14, 1983, Ohio residents were declared ineligible for the Federal State Extended Benefits Program because Ohio's insured unemployment rate fell below 6 percent. The computation that allowed this to happen fails to consider the plight of the unemployed American who happens to live in a state plagued with prolonged high unemployment. In my District, thousands of auto and steel workers have been out of work for long periods of time. Why should they be cut off from this extended benefits program? What have they done to deserve this treatment?

I am disturbed that the current formula for computing a state's insured unemployment rate anticipates a quick economic recovery. The formula fails to consider the worker who is laid off early in the recession and is unable to find work in a depressed economy. Of the 25 states suffering with more than 9 percent unemployment, less than half remain eligible for the Federal State Extended Benefits Program. The rest have been "triggered off" and this is extremely unfair.

I firmly believe that my bill will make life a little more tolerable for those among us who need the most help. Thirteen additional weeks of unemployment compensation will give desperate families around this country some well-deserved relief.

Once again, let me state that I agree in principle with all the bills being considered by this subcommittee. I appreciate the opportunity to speak in favor of H.R. 3112, and I sincerely hope that this subcommittee will see fit to mark-up legislation without delay to alleviate the unbelievable pain that plagues 11 million Americans.

Thank you Mr. Chairman.

Statement of the International Association of Personnel in Employment Security

BACKGROUND

Since its inception with the passage of the Social Security Act of 1935, the National Unemployment Insurance System has evolved into a mainstay of the American economy. Through a successful and unique Federal-State Partnership, the system has provided economic security to millions of Americans during periods of temporary involuntary unemployment. The Federal Partner has provided technical assistance, guidance and uniformity in programs among the states. The State Partners provide actual administration of Unemployment Insurance Programs through collection of Employer Contributions to the Unemployment Insurance Trust Funds, payment of benefits under the individual State Laws and appellant system designed to insure that all parties in Unemployment Insurance Claims receive their right to due process.

The payment of Unemployment Insurance Benefits beyond the period provided by State Laws is a relatively recent innovation when compared to the almost 50-year history of the Unemployment System. We, in IAPES, feel that the Federal Supplemental Compensation and Extended Benefit Programs should be designed to be responsive to State, Regional and National economic dysfunctions and be designed in a manner which makes the program administratively feasible. We commend the Senate Finance Committee for reviewing these programs.

Our comments will be directed to two major areas—Administration of the Program and Benefits paid therein.

PROGRAM ADMINISTRATION

Administrative Financing—A major concern is that any additional Benefits Program which may evolve from this hearing should be adequately funded. At present, the State Employment Security Agencies charged with the responsibility of administering these programs receive an allocation of 25 minutes for total processing of an initial claim for benefits. This allocation is inadequate because of the complex eligibility requirements that require more time to explain to claimants and insure that benefits are paid only to individuals who are eligible. We would encourage this body to recommend to the Employment and Training Administration of the U.S. Department of Labor that pilot cost analysis projects be completed in the State Agencies administering the programs and that adequate funding evolve from the studies.

"Trigger" mechanisms—Unemployment rates vary from state to state throughout our Country. The Congress very wisely acted to eliminate the National "Trigger" in

the Extended Benefit Program through the Omnibus Budget Reconciliation Act of 1981. There is concern however that the increased state "Trigger" rates established in the same act were set at too high a level. As of September 1, 1983, only three states are paying Extended Benefits. This, during a period of unprecedented high unemployment, gives us cause to believe the "Triggering" mechanism should be evaluated.

The mandatory State Trigger provides that the Insured Unemployment Rate for a 13-week moving average be at least five per centum and that the rate must exceed the rate for the prior two years by twenty per centum. Not included in the calculation are any individuals who have received Extended Benefits, Federal Supplemental Compensation, or have exhausted Regular State Benefits.

We encourage the Committee to review alternative measures of economic distress in the states as the "Trigger" Rate. An option would be to use the total unemployment rate if the computational methodology were revised to insure statistical reliability.

Also, we feel the states should have more lead time in planning for additional benefits programs "Triggering In." There have been occasions when States had as little as ten days to implement Extended Benefits. This does not offer ample opportunity to put in place suitable controls to guarantee viability of the Program.

Substate "Triggers"—The work force within a State is very mobile. It is not unheard of for workers to travel from city-to-city or between counties for employment. The imposition of Substate Triggers would create an Administrative nightmare for most State Agencies because their UI Systems are highly computerized. We, therefore, oppose Substate "Triggers".

Work Test—Each State Employment Security Agency operates within the confines of laws passed by that State's Legislature. These State Laws are passed in recognition of conditions peculiar to the economic conditions of each State. The States are better able to assess the economic condition of that State and to administer a work test based on the prevailing condition. For this reason, we encourage the Committee to recommend elimination of a National Work Test and to allow the States to administer work search requirements using existing State Law.

Trust Fund Solvency—At present thirty States' Trust Funds are insolvent. The Trust Funds were established initially to provide adequate funding for regular State Unemployment Insurance Claims. The Extended Benefit Program has undermined the funds in many States, thus causing extremely high unemployment insurance contribution rates in the States. It is our position that prolonged Regional or National unemployment is the result of National economic dysfunctions and the Federal Government should bear the burden for increased costs. We encourage the Committee to consider the issue of State Trust Fund Solvency in your deliberations.

BENEFIT PAYMENT CONSIDERATIONS

Base Period Requirements—At present, a claimant must have twenty weeks of works in the base period to quality for Extended Benefits as a Federal requirement. We oppose this requirement because each state has, as part of its Unemployment Insurance Legislation, Statutes on which benefit eligibility is based. As stated previously, the States are better able to determine the economic condition unique to their area and the qualifying determination should be within the States' discretion.

Duration of Payments—Present law provides that the duration of Federal Supplemental Benefits are reviewed monthly and duration can be increased or decreased based on this review. If a claimant initially qualifies for 14 weeks and the insured unemployment rate (IUR) in that State drops, the duration may be reduced to as low as eight weeks. This has placed an extreme administrative hardship on the Agencies in that each claimant must be contracted to inform them of the reduced duration and, in most cases, the claimant visits the office for an extended explanation of the change. We propose an alternative measure in which an individual claimant's duration is fixed at the time of the initial duration. Subsequent reviews of the IUR would not effect that claiment. This would relieve the Administrative burden on the States.

STATEMENT OF HON. JOHN J. LAFALCE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. Chairman, Members of the Subcommittee, I thank you for the opportunity to appear here today to discuss a topic of vital concern to millions of American—and

far too many thousands of Western New Yorkers—the unavailability of extended unemployment benefits. The hopes of financial survival for these Americans rest with the Congress to take decisive action to make needed improvements in the unemployment compensation system.

I applaud the Subcommittee for holding hearings on this most timely issue. Today's session could not have occurred at a better time—a time when we are seeing some signs of economic recovery; a time when many sectors of the economy appear to be on the mend.

While recent indications of declining unemployment are a welcome sign, we must not allow such news to lull us into a false sense of economic security, and reduce our will to act. We must not forget the more than 10.5 million people who remain out of work, and their families and the communities they live in. The recovery has helped to bring the remaining, deeply rooted, more serious pockets of unemployment to the surface for our attention—and immediate attention is a must.

Sadly, not only is the large number of American out of work a great hardship, but the unemployment insurance system itself—the system which is supposed to provide aid to the families of unemployed workers—is also replete with inconsistencies and nonsensical provisions. The primary objective for providing extended unemployment benefits is the same as that for the provision of regular benefits—to assist workers, during periods of temporary unemployment, until most can become re-employed. The simple fact is that those in areas suffering from higher unemployment need more time to find a job. Unfortunately, the present system of calculating a state's eligibility for extended benefits—by using the insured unemployment rate (IUR—is designed to prevent areas of prolonged high unemployment from receiving necessary relief. The irony is that the very people who need the most help—those who have exhausted their regular unemployment benefits—are left out of the formula which determines eligibility for extended benefits. This makes little sense and must be changed.

I must say that I am very encouraged by the amount of interest there is in reforming the extended unemployment benefits program. One of the indications of this is the sheer number of bills before you today. As you know, this past February I introduced H.R. 1340, which would change the method for determining eligibility for extended benefits from the use of the IUR to the use of the total unemployment rate. I introduced a similar bill in the 97th Congress. To date, more than 30 members have cosponsored H.R. 1340. Before identifying the problems that I have with the present system and discussing my bill, I would like to briefly describe the current extended unemployment benefits system.

The extended benefits program provides up to 13 weeks of additional benefits to those individuals who have exhausted their regular unemployment benefits. Funding for the extended benefits program is shared equally between the federal and state governments and is triggered on when the IUR in a state is 5 percent and, in addition, is at least 120 percent of the IUR for the previous two years. Alternatively, a state may trigger on when its IUR reaches 6 percent.

Prior to October 1, 1982, these standards were less onerous. Previously, a state would trigger on to the program when its IUR was only 4 percent and, in addition, was at least 120 percent of the IUR for the previous two years. Alternately, a state could trigger on if its IUR was 5 percent. Unfortunately, administration-supported provisions in the Omnibus Reconciliation Act of 1981 have made it even more difficult for the unemployed workers to receive extended benefits.

What is crucial to understanding this system of determining benefits is that the IUR differs radically from the actual level of unemployment. This is because the IUR only considers those persons who are covered by and receiving unemployment insurance. People who are out of work for so long that they no longer qualify for unemployment benefits and those individuals who have not worked long enough to qualify for coverage, are not included when the IUR is determined. Obviously, though, these people are very much a part of the unemployed workforce.

Because of the anomalous way in which extended benefits are calculated, a state with many people who have been out of work for a lengthy period of time, obviously has very high real unemployment, but may have a very low IUR because many of the unemployed citizens no longer are covered by unemployment compensation.

Nationally, the duration of unemployment, and with it, the number of individuals who are likely to exhaust their benefits, has steadily risen in recent years. The higher the unemployment in an area, the longer the duration of unemployment for the average person out of work in that area—thus the more likely a person is to exhaust his or her benefits and be excluded from the determination of the IUR.

It is estimated that, nationwide, during the recent recession, more than half—more than 5 million people—of those identified as unemployed were not receiving

benefits. In New York State, out of 700,000 presently unemployed, only about 255,000 are receiving any kind of unemployment benefits. About 445,000 unemployed persons or a full 64 percent are excluded from the calculation of the IUR. While the total unemployment rate in New York State—as measured by the current population survey—has been hovering around 9 percent, the IUR is presently less than three and a quarter percent. The IUR is even further from the unemployment rate in some Western New York communities. In the City of Niagara Falls, the most recently available unemployment rate is 12.5 percent and in the City of Buffalo, a devastating 15.5 percent. The IUR clearly does not reflect the true seriousness of the unemployment problem in the State of New York, and many other states—it never has, and never will. In fact, U.S. Department of Labor statistics show that the gap between the IUR and the Total Unemployment Rate is widening every year. It is time that Congress takes notice of that gap and puts a stop to the use of the IUR as the determining factor for eligibility for extended benefits.

The folly of the IUR is further demonstrated by the fact that is is not used for determining benefits for any other government program. The IUR is not used for determining funding for job training programs nor for economic development assistance nor for funding under the Defense Manpower Act nor any other government program that targets an area based upon that area's level of unemployment. The IUR measure is used for just one reason: It is simple to calculate because it only counts the people receiving benefits at a given time.

The bill which I have introduced, H.R. 1340, makes some fundamental changes in the system by which extended benefits are determined. The bill eliminates the IUR calculation and permits a state to trigger on to the extended benefits when the seasonably adjusted unemployment rate reaches 7 percent.

In addition, the bill gives states the option to pass laws allowing extended benefits to be paid in labor market areas within a state if the total unemployment rate in that labor market area reaches 9 percent. Giving states the option to do this will permit unemployed individuals who are living in especially high unemployment areas to obtain extended benefits even if the statewide rate dips below 7 percent. States must be given only the option to adopt such laws because extended benefits are financed equally by state and federal treasuries.

The changes encompassed in my bill have several beneficial features:

First, eligibility for extended benefits would be measured by a formula which more realistically portrays the unemployment picture in a state than does the IUR calculation.

Second, eligibility for benefits would be tied to a formulation with which people can identify. Nothing is more frustrating to an unemployed worker than to hear that he or she cannot qualify for extended benefits because the insured unemployment rate must reach 5 percent, when that person knows that the real unemployment rate in his or her community is 10, 12, 15 percent or higher.

Third, under my bill, workers in very high unemployment areas will not be denied assistance simply because they live in a state that does not have a sufficiently high rate to qualify for extended benefits.

Because the IUR is such a bad measure, many states are not receiving their fair share of unemployment benefits. These states are not receiving the relief they need—the relief they deserve. Such relief would not only be in the best interest of the individual, but in the best interest of his or her community as well, and would lead to increase national productivity and economic vitality. For all of these reasons, Congress should not continue to support the IUR. I urge you to make those reforms in the extended unemployment benefits program that will bring much needed and deserved relief to our nation's most economically hard-pressed regions.

STATEMENT OF JAMES R. SNYDER, CHAIRMAN, LEGISLATIVE COMMITTEE, RAILWAY LABOR EXECUTIVES' ASSOCIATION

My name is James R. Snyder. I am Chairman of the Legislative Committee of the Railway Labor Executives' Association and the National Legislative Director of the United Transportation Union. I present this statement on behalf of the Railway Labor Executives' Association in support of the extension of the federal unemployment supplemental compensation program as contained in H.R. 3433, amended to cover those unemployed railroad employees with less than ten (10) years service.

The membership of the Railway Labor Executives' Association consists of the chief executive officers of twenty standard national and international railway labor organizations. They are:

American Railway & Airway Supervisors Association, Division of BRAC
American Train Dispatchers' Association
Brotherhood of Locomotive Engineers
Brotherhood of Maintenance of Way Employes
Brotherhood of Railroad Signalmen
Brotherhood Railway Carmen of the United States and Canada
Brotherhood of Railway, Airline and Steamship Clerks, Freight Handlers, Express and Station Employes
Hotel & Restaurant Employees & Bartenders' International Union
International Association of Machinists and Aerospace Workers
International Brotherhood of Boilermakers and Blacksmiths
International Brotherhood of Electrical Workers
International Brotherhood of Firemen & Oilers
International Longshoremen's Association
International Organization of Masters, Mates & Pilots
National Marine Engineers' Beneficial Association
Railroad Yardmasters of America
Sheet Metal Workers' International Association
Seafarers International Union of North America
Transport Workers Union of America
United Transportation Union

Unemployed railroad workers with less than ten (10) years' service receive a maximum of 26 weeks of unemployment compensation which is less than most workers covered by the Federal-State programs.

The Congress earlier this year recognized the plight of those employees and in the Emergency Job Appropriation Act (Public Law 98-8, March 24, 1983) provided, in Section 102 thereof, up to ten additional weeks of benefits for railroad employees with less than ten (10) years' service who exhausted their 26 weeks of eligibility in the benefit year which ended June 30, 1983. This program has now run its course, but the severe unemployment in the railroad industry has not.

None of the bills under consideration by this Subcommittee include railroad workers as they are presently drafted.

As I am sure you are aware, the railroad industry has been hit by the recession as hard as any industry in this nation. On July 1, 1982, 516,000 persons were employed in this industry. By January 1, 1983, employment has plummeted to 388,000. That represents a drop of 25 percent in the railroad work force in one short 18-month period.

As of July, 1983, there were 407,000 persons actively working in the industry and almost 100,000 were unemployed; some 55,000 were drawing unemployment benefits; and, an additional 30,000 to 40,000 unemployed had exhausted their benefits. Most of the later, of course, were the more junior employees, that is, those with less than 10 years' service.

These destitute railroad employees, no less than employees in similar circumstances in other industries, deserve your consideration and support.

We respectfully submit that the unemployment supplemental compensation program should be extended and expanded to include those unemployed railroad workers with less than ten (10) years' railroad service who have exhausted their unemployment compensation.

Thank you.

STATEMENT OF HON. PAT WILLIAMS, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MONTANA

Mr. Chairman, members of the Subcommittee, I am here to offer my support for the extension of the Federal Supplemental Compensation (FSC) program as well as making some modifications in the Federal-State Extended Benefit (EB) program. I thank the chairman for this opportunity.

As a member of the House Budget Committee, I can assure you that the first resolution provides $1.5 billion for an extension of the FSC program. I understand that CBO estimates that $1.4 billion would be needed for a six-month extension. Thus, by virtue of approving the conference report on the first budget resolution including the levels mentioned above, both Houses of Congress have endorsed a six-month extension of the FSC program.

I introduced two bills, H.R. 2086 and 2189, in this session to amend the EB program. H.R. 2086 restores State trigger rates for unemployment compensation to their pre-September 25, 1982, levels and authorizes the use of sub-State area triggers

at State option for the provision of payment of extended benefits. This provision would recognize the wide diversity in unemployment which can exist in States with dispersed populations.

It is my belief that the September 25, 1982, changes were to stringent and exclude millions of jobless Americans from receiving benefits. I think it would be a mistake for the Subcommittee to adopt provisions in some of the bills before you that would change the IUR base for the trigger to the unemployment rate. It is preferable to return to the lower IUR rate and count exhaustees.

Traditionally, from 1967 to 1980, the total unemployment rate (TUR) has exceeded the insured unemployment rate (IUR) by two to three percent. However, since 1980, the pattern has been inexplicably broken (see chart 1). In July 1983, the TUR was 9.5 percent, while the IUR was 3.6 percent, an almost six percent difference. The ratio of IUR to TUR which normally ranges from 55–75 percent has dropped to 37.9 percent in July (see chart 2). Many have tried to explain this change, but few experts—can agree on explanations for this drastic change. Some point to increasing numbers of UI exhaustees not being counted, other to major changes in labor force participation, and still others wring their hands and say that no study has been done to explain it adequately. It is my conclusion that we must take a hard look at a possible new trigger for the EB and FSC programs that might combine the IUR, the TUR, and the rate and/or number of UI exhaustees.

In the meantime, this Subcommittee must provide some short term relief so that the UI system can provide extended benefits to more of the 10.6 million unemployed individuals in our country so that balance and equity can be brought back to the program.

The other major provisions of my bill authorizes the establishment of sub-State triggers. Sub-State triggers would target more effectively extended benefits and would remove the inequity under the present system by which workers in distressed areas may be ineligible for extended benefits because the overall State unemployment rate is below the State trigger. My bill would use for these areas, the economic areas, developed by the Bureau of Economic Analysis of the Department of Commerce. The Bureau has divided the United States into 183 of these areas. The areas cross State lines in recognition of the economic reality of unemployment, which respects no political boundaries.

The areas proposed in my bill are a starting point for discussion. I could have selected SMSA's, counties, or labor market areas. There may even be better areas. I selected these areas as the basis for my bill because they are existing areas based on standard metropolitan statistical areas, and based upon the actual commuting patterns of workers in the areas. If the House can develop a better means of establishing sub-State areas for the trigger mechanism, I would support those efforts fully. I just want to see the Congress take some step toward authorizing sub-State triggers. In 1975, the House passed such legislation, but the sub-State provision was dropped in conference.

I recognize that increasing the number of units by which benefits can be triggered increases somewhat the administrative difficulties. I would point out to the House and to the bureaucracy that it is a whole lot more difficult to be unemployed for endless weeks. It will take time to designate the areas and to develop the data compilation procedures. It may take a very long time. I hope the recession will have ended by that point. The concept, however, is sound and worth doing. If we do not act now, the mechanism will not exist when we face another recession.

It has been suggested that the State trigger mechanism does not provide fairness for those who are employed and residing in pockets of extremely high unemployment while the rest of the State is not experiencing the same economic difficulties. Thus, some have suggested that the only fair way to administer the EB program is to use the either sub-State or area triggers.

What might area triggers cost the federal government? One analyst at the Department of Labor has estimated that if an area trigger was in effect during the fical year 1983, the additional costs could be anywhere from 10 to 50 percent higher—$360 million to $1.8 billion more—than the current EB program, which is estimated to cost approximately $3.6 billion in fiscal year 1983. In contrast, if the national trigger was in effect in fiscal year 1983 it would cost approximately 100 percent more than the current program or approximately $7.2 billion. The advantages of a sub-state trigger are: Assuming that the administrative problems could be resolved, an area trigger would cost less than a national trigger and individuals from pockets of high unemployment could receive EB even if their State, as a whole, was not experiencing unusually high unemployment.

I urge this Subcommittee to adopt a sub-state trigger.

My other bill, H.R. 2189, clarifies the provisions of unemployment compensation regarding ex-servicemen.

As of this January, servicemen are included in the unemployment figures. They are now counted as members of the labor force. Our responsibility to clear up the inequities are now even clearer.

The Omnibus Reconciliation Act of 1981 changed the unemployment compensation law to bar ex-service members who voluntarily leave the service from collecting benefits.

The Miscellaneous Revenue Act, which was enacted in October 1982, requalified ex-service members with certain limitations. Unfortunately, during compromises worked out by House Ways and Means and Senate Finance, certain ex-service members, because of their discharge dates, remained ineligible.

As you know, unemployment benefits are calculated according to a base period which ordinarily is computed from the time a claim is made. This is usually right after separation from a job. The base period is the first four out of the last five completed calendar quarters. In order to collect, a claimant must have at least 20 weeks of work and $1,000 in earnings during his or her base period.

An ex-service member who was discharged in August 1981 was not eligible for unemployment benefit due to the reconciliation bill. With the Miscellaneous Revenue Act, however, he or she could again claim benefits as of the effective date of the new law, October 1982. The bad news is that the base period, and this was apparently intentional in the act, must be calculated from the date of enactment—October 1982—instead of from the individual's discharge date. If the ex-service member has not worked since his or her discharge—certainly possible or even likely in this recession—many of the months in the base period will have shown no earnings.

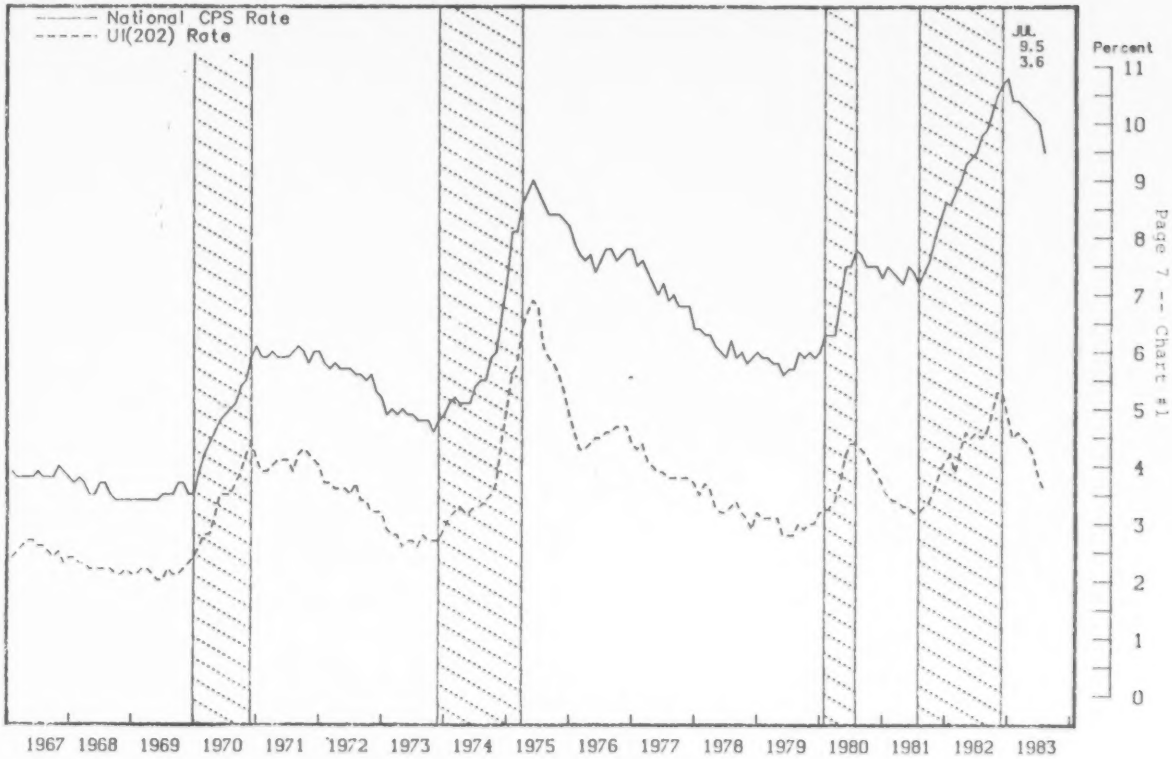
As an example, a base period calculated from October 1982 runs back to June 1981. If the service member was discharged in August 1981 and has not worked since, he or she will have had earnings only in June, July, and whatever portion of August he or she was still in the service. Although this still may amount to over $1,000 in earnings, the 20-week requirement cannot be met. The number of people affected by this is small. I know of only six Montanans whose discharge dates so disqualify them. It is a blatantly unfair situation, and it is hypocritical that the administration panders to servicemen and veterans and then double-crosses them at every turn.

The only way this built-in ineligibility can be corrected is through legislation. Since the gap was intentional on the part of the committees, it would be difficult to pass. This bill would help younger veterans, however. The administration, incidentally, steadfastly continues to oppose UI benefits for voluntary separations. Whether or not one believes ex-service members should receive UI, restoring it for some and not for others on the basis of discharge dates is inconsistent.

My bill would rectify these inconsistencies. I urge this Subcommittee to adopt the provisions of my bill in its considerations.

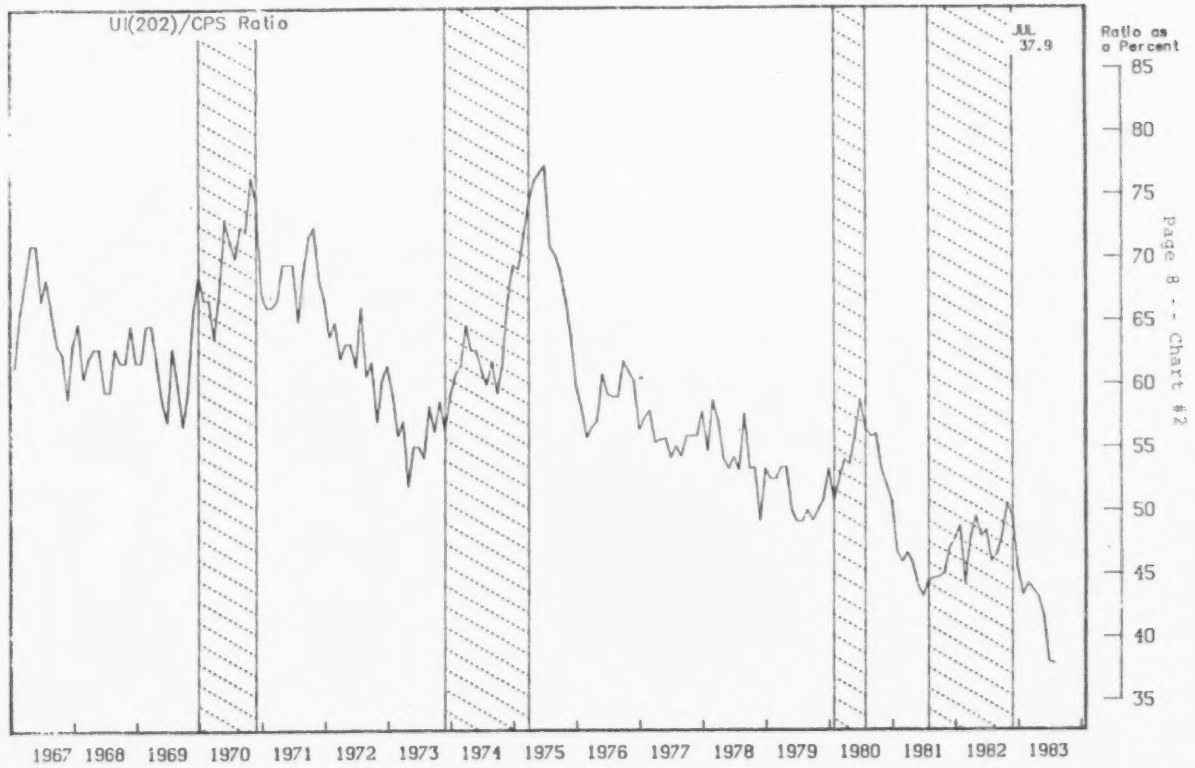
Thank you for your courtesy today in hearing my testimony.

Chart 1, Comparison of National CPS and UI(202) 1/ Unemployment Rates 1967–1983. (Seasonally Adjusted)



1/UI(202)=UI Claims (week including the 12th) divided by 4 quarter average of ES–202 data ending 6–9 months previously

Chart 2, Ratio of Monthly UI(202) 1/ to National CPS Unemployment Rates as a Percent, 1967–1983. (Based on Seasonally Adjusted Data)



1/UI(202)=UI Claims (week including the 12th) divided by 4 quarter average of ES-202 data ending 6-9 months previously